

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the County on the date of delivery of the Bonds, and subject to the conditions stated herein under "Tax Exemptions," under existing law, (a) the interest on the Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the Bonds is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. As described herein under "Tax Exemptions," other Federal income tax consequences may arise from ownership of the Bonds. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

OFFICIAL STATEMENT DATED JUNE 10, 2002

NEW ISSUE

Full Book-Entry

(See "DESCRIPTION OF THE SERIES 2002
BONDS - Book Entry Only System")

RATINGS: Fitch AA
Moody's Aa2
Standard & Poor's AA
(See "RATINGS")

\$37,880,000

**Montgomery County, Maryland
Lease Revenue Bonds
(Metrorail Garage Projects)
Series 2002**

Dated June 1, 2002

Due: June 1, as shown inside

Interest is payable semiannually on each June 1 and December 1, commencing December 1, 2002 (six months), at the rates set forth below. The Bonds are subject to redemption prior to maturity as provided herein.

The Bonds are being issued by Montgomery County, Maryland (the "County") pursuant to a Trust Agreement, dated as of June 1, 2002, between the County and Wachovia Bank, National Association, Richmond, Virginia, as Trustee. The Bonds are being issued to finance costs of parking structures and related facilities (the "Projects") at the Shady Grove Metrorail Station and the Grosvenor Metrorail Station in Montgomery County. The County has leased the Projects to the Washington Metropolitan Area Transit Authority ("WMATA"), an interstate compact agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia.

The Bonds will be limited obligations of the County payable solely from and secured by a pledge of (1) the revenues and receipts to be derived from the lease of the Projects to WMATA and (2) certain funds and accounts established pursuant to the Trust Agreement, including a debt service reserve. The County has covenanted to budget, appropriate and pay to the Trustee for deposit in the debt service reserve, at any time in any fiscal year when the amount to the credit thereof is less than required by the Trust Agreement, an amount equal to the deficiency; however, the obligation of the County to make any such payment in any fiscal year is contingent upon the appropriation for such fiscal year by the Montgomery County Council of funds from which such payment can be made.

The Bonds are not a debt of the State of Maryland or any political subdivision thereof, including the County, or WMATA, within the meaning of any constitutional, compact, charter or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof, including the County, is pledged to the payment of the Bonds. WMATA has no taxing power.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

The Bonds are offered, when, as and if issued by the County, subject to the approval of their validity by Venable, Baetjer and Howard, LLP, Baltimore, Maryland, Bond Counsel, as described herein, and to certain other conditions. Certain legal matters will be passed upon for the County by the County Attorney and for WMATA by its General Counsel. The Bonds will be available for delivery in New York, New York, through the facilities of the Depository Trust Company on or about June 20, 2002.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

**\$37,880,000 Lease Revenue Bonds
Metrorail Garage Projects**

Maturity		Interest	Price or	
<u>June 1,</u>	<u>Amount</u>	<u>Rate*</u>	<u>Yield*</u>	<u>CUSIP</u>
2005	\$1,200,000	3.250%	2.600%	613356AA2
2006	1,305,000	3.375%	2.890%	613356AB0
2007	1,350,000	3.500%	3.160%	613356AC8
2008	1,395,000	3.750%	3.440%	613356AD6
2009	1,450,000	3.875%	3.630%	613356AE4
2010	1,505,000	4.100%	3.810%	613356AF1
2011	1,565,000	4.125%	3.910%	613356AG9
2012	1,635,000	4.250%	4.010%	613356AH7
2013	1,705,000	4.250%	4.180%	613356AJ3
2014	1,780,000	4.250%	4.300%	613356AK0
2015	1,860,000	4.300%	4.400%	613356AL8
2016	1,945,000	4.400%	4.500%	613356AM6
2017	2,040,000	4.500%	4.580%	613356AN4
2018	2,135,000	4.600%	4.670%	613356AP9
2019	2,240,000	4.700%	4.760%	613356AQ7
2020	2,355,000	5.000%	4.860%	613356AR5
2021	2,470,000	5.000%	4.910%	613356AS3
2022	2,600,000	5.000%	4.950%	613356AT1
2023	2,730,000	5.000%	4.990%	613356AU8
2024	2,615,000	5.000%	5.020%	613356AV6

(Accrued interest to be added)

* The rates shown above are the rates payable by the County resulting from the successful bid for the Bonds on June 5, 2002 by a group of investment banking firms. The successful bidders have furnished to the County the initial public offering prices or yields shown above. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidders and not from the County.

OFFICIAL STATEMENT DATED JUNE 10, 2002

**Montgomery County, Maryland
Lease Revenue Bonds
(Metrorail Garage Projects)
Series 2002**



No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations concerning the County or its bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the bonds described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Bonds are exempt from registration under the Securities Act of 1933. As obligations of a political subdivision of the State of Maryland, the Bonds also are exempt from registration under the securities laws of the State of Maryland.

The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the County or WMATA since the date hereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds.

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**MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS**

COUNTY EXECUTIVE

Douglas M. Duncan

COUNTY COUNCIL

Steven Silverman	<i>President</i>
Derick P. Berlage	<i>Vice President</i>
Phil Andrews	
Nancy Dacek	
Howard Denis	
Blair Ewing	
Isiah Leggett	
Marilyn J. Praisner	
Michael L. Subin	

The terms of the Executive and all County Council members expire in December 2002.

APPOINTED OFFICIALS

Bruce Romer	<i>Chief Administrative Officer</i>
Timothy L. Firestine	<i>Director, Department of Finance</i>
Robert K. Kendal	<i>Director, Office of Management and Budget</i>
Charles W. Thompson, Jr.	<i>County Attorney</i>
Mary A. Edgar	<i>Clerk of the County Council</i>

BOND COUNSEL

Venable, Baetjer and Howard, LLP
Baltimore, Maryland

FINANCIAL ADVISOR

Public Financial Management
Philadelphia, Pennsylvania

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG, LLP
Washington, D.C.

DEBT MANAGEMENT AND DISCLOSURE

Department of Finance
101 Monroe Street
Rockville, MD 20850
240-777-8860
240-777-8857 (Fax)
www.mcmbonds.emontgomery.org

**OFFICIAL STATEMENT
of
Montgomery County, Maryland**

**Lease Revenue Bonds
(Metrorail Garage Projects)
Series 2002**

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to provide information concerning the Lease Revenue Bonds (Metrorail Garage Projects), Series 2002 (the “Bonds”) of Montgomery County, Maryland (the “County”). The County is issuing the Bonds to finance the costs of the design and construction of a parking structure and related facilities (the “Shady Grove Project”) at the Shady Grove Metrorail Station within the County, and to finance the costs of the design and construction of a parking structure and related facilities (the “Grosvenor Project”) at the Grosvenor Metrorail Station within the County.

The Bonds are authorized to be issued pursuant to the Constitution and the laws of the State of Maryland, including Sections 5(P)(2) and 5(P)(3) of Article 25A of the Annotated Code of Maryland (1998 Replacement Volume and 2001 Cumulative Supplement) and Sections 20-47 through 20-54 of Chapter 20 of the Montgomery County Code (1994 Edition, as amended) (collectively, the “Authorizing Legislation”), resolutions adopted by the County, and a Trust Agreement (the “Trust Agreement”) dated as of June 1, 2002, between the County and Wachovia Bank National Bank, Richmond, Virginia, as Trustee (the “Trustee”).

PURPOSE OF THE FINANCING

The Bonds are being issued to finance costs of the planning, design, construction and placing into commercial operation of the Shady Grove Project and the Grosvenor Project.

The Shady Grove Project. The Shady Grove Project consists of a 2,100-space parking structure and related facilities at the Shady Grove Metrorail Station in the County. The Shady Grove Project is being constructed by the County on a site (the “Shady Grove Project Site”), which is adjacent to the Shady Grove Metrorail Station. The Shady Grove Project Site is owned by the Washington Metropolitan Area Transit Authority (“WMATA”), an interstate compact agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia. The County has leased the Shady Grove Project Site from WMATA pursuant to a Ground Lease Agreement (the “Shady Grove Ground Lease”), dated June 1, 2000, between the County and WMATA. The County will construct the Shady Grove Project pursuant to a Project Agreement, dated June 1, 2000, between the County and WMATA (the “Shady Grove Project Agreement”). WMATA will operate and maintain the Shady Grove Project pursuant to a Facility Lease, to be dated as of June 1, 2002, between the County and WMATA (the “Shady Grove Facility Lease”). The costs of such operations and maintenance

will be payable by WMATA from its gross revenue. The Shady Grove Ground Lease, the Shady Grove Project Agreement and the Shady Grove Facility Lease are sometimes hereinafter referred to collectively as the “Shady Grove Documents.”

The Grosvenor Project. The Grosvenor Project consists of a 1,500-space parking structure and related facilities at the Grosvenor Metrorail Station in the County. The Grosvenor Project is being constructed by the County on a site (the “Grosvenor Project Site”), which is adjacent to the Grosvenor Metrorail Station. The Grosvenor Project Site is owned by WMATA. The County has leased the Grosvenor Project Site from WMATA pursuant to a Ground Lease Agreement (the “Grosvenor Ground Lease”), dated May 7, 2002, between the County and WMATA. The County will construct the Grosvenor Project pursuant to a Project Agreement, dated May 7, 2002, between the County and WMATA (the “Grosvenor Project Agreement”). WMATA will operate and maintain the Grosvenor Project pursuant to a Facility Lease, to be dated as of June 1, 2002, between the County and WMATA (the “Grosvenor Facility Lease”). The costs of such operations and maintenance will be payable by WMATA from its gross revenue. The Grosvenor Ground Lease, the Grosvenor Project Agreement and the Grosvenor Facility Lease are sometimes hereinafter referred to collectively as the “Grosvenor Documents.”

Surcharge Implementation Agreement. Pursuant to a Surcharge Implementation Agreement (the “Surcharge Implementation Agreement”), dated as of December 16, 1999, between WMATA and the County, WMATA collects certain parking surcharge fees (“Surcharge”) at WMATA-controlled parking spaces in the County. Amounts equivalent to the Surcharge collected will be deposited in a surcharge reserve account, which is a reserve for the County established and held by WMATA in trust for the purposes provided in the Surcharge Implementation Agreement, and will be used to meet WMATA’s obligations under each Facility Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS--Surcharge Reserve Account.” See also Appendix B – “DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS,” which also contains the definitions of some of the capitalized terms used in this Official Statement.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Security for the Bonds

The Bonds and any Additional Bonds or Refunding Bonds issued under the Trust Agreement are limited obligations of the County and are payable solely from and are equally and ratably secured by (i) the Pledged Revenues (defined below), and (ii) certain funds, including the Debt Service Subfund and the Reserve Subfund, established under the Trust Agreement, including the investments of money on deposit in such funds.

The County has covenanted in each Project Agreement to budget, appropriate and pay to the Trustee for deposit in the Reserve Subfund, at any time in any fiscal year when the amount to the credit thereof is less than required by the Trust Agreement, an amount equal to the deficiency. In the event of a call upon the Reserve Subfund, the County Executive of the County will include in the next subsequent appropriation request to the Montgomery County Council sufficient resources to reimburse the Reserve Subfund to its required amount. However, the

obligation of the County to make any such payment in any fiscal year is contingent upon the appropriation for such fiscal year by the Montgomery County Council of funds from which such payment can be made. See “– Reserve Subfunds” below.

The Bonds are not a debt of the State of Maryland or any political subdivision thereof, including the County, or WMATA, within the meaning of any constitutional, compact, charter or statutory debt limit or restriction. Neither the full faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof, including the County, is pledged to the payment of the Bonds. WMATA has no taxing power. Only the County is obligated to pay the principal of or premium, if any, and interest on the Bonds, and such obligation of County is payable solely from the Pledged Revenues and other moneys pledged therefor.

Reserve Subfund; County Appropriation Obligation

Under the Trust Agreement, the County will establish the Reserve Subfund and a funding requirement therefor. The Reserve Fund Requirement is the least of (i) the maximum principal and interest requirement on the Bonds for any bond year, (ii) 125% of the average annual principal and interest requirements of the Bonds for any bond year and (iii) 10% of the stated principal amount of the Bonds. The County will fund the Reserve Subfund with a portion of the proceeds of the Bonds. The Reserve Subfund is held as a reserve for the payment of principal of and interest on all outstanding Bonds when and if funds on deposit in the Debt Service Subfund are not sufficient for such purposes. See Appendix B — “DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement -- Reserve Subfund.”

In each Project Agreement, the County has covenanted to make certain payments in respect of the debt service on the Bonds. In the event that at any time the amount to the credit of the Reserve Subfund is less than the amount of the Reserve Fund Requirement, the Trustee will notify the County of the existence of the deficiency and the amount thereof. Under the Project Agreements, the County Executive is obligated to include in the next subsequent appropriation request to the Montgomery County Council sufficient resources to reimburse the Reserve Subfund to its required amount, and (to the extent, but only to the extent, that the Montgomery County Council makes such appropriation) the County is obligated to pay to the Trustee an amount equal to such deficiency to replenish the Reserve Subfund. **The County’s obligation to replenish the Reserve Subfund is contingent upon the appropriation by the Montgomery County Council of funds for such purpose.** The County will not be liable for any such amount unless and until such funds have been appropriated and then only to the extent thereof.

Pledged Revenues

The primary credit feature of the Bonds is the County’s obligation (subject to appropriation) to replenish the Reserve Subfund, as described in the immediately preceding paragraphs. Initially, however, the County expects to pay debt service on the Bonds from certain rent payments under the respective Facility Leases. In the Facility Leases, WMATA has covenanted to make payments of Basic Rent and Additional Rent on a semiannual basis. The

Facility Leases establish Basic Rent to be payable in amounts equal to scheduled debt service payments on the Bonds. **WMATA's obligations to make payments under the Facility Leases are payable solely from funds in the Surcharge Reserve Account which, under the terms of the Surcharge Implementation Agreement, are available for rental payments under the Facility Leases. WMATA is not obligated to pay the principal of or interest on the Bonds.** Although amounts held in the Surcharge Reserve Account are to be applied to payments by WMATA to the County under the Facility Leases, the Surcharge Reserve Account is not pledged to the payment of the Bonds. See "Other Financings and Parking Projects" for a discussion of other bonds the debt service on which will be payable from lease rentals to be made by WMATA from available moneys in the Surcharge Reserve Account.

The Bonds are secured under the Trust Agreement by a pledge of the Pledged Revenues on an equal and ratable basis with any Additional Bonds or Refunding Bonds hereinafter issued. "Pledged Revenues" under the Trust Agreement means (a) Basic Rent payable by WMATA to the County pursuant to the respective Facility Lease, as adjusted therein, (b) Additional Rent payable by WMATA to the County pursuant to the respective Facility Lease, (c) surplus net proceeds of insurance and condemnation awards payable to the County pursuant to the respective Facility Lease, (d) proceeds of title, use and occupancy or business interruption insurance paid to or for the account of the County with respect to the respective Project, (e) income from the investment of moneys on deposit in certain of the funds created under the Trust Agreement and (f) Contributions to Project Cost payable by WMATA to the County pursuant to the respective Facility Lease.

WMATA is not obligated to make rent payments or contributions under the Facility Leases from its general revenues, nor has WMATA covenanted to maintain parking surcharge rates at levels that will assure WMATA's ability to meet its obligations to pay Basic Rent under the Facility Leases. Further, WMATA's rental obligations under the Facility Leases may be abated under certain conditions or should certain events occur. See APPENDIX B — "DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS – Facility Lease Agreements -- Rent." Nothing in the Shady Grove Documents or the Grosvenor Documents prohibits or restricts the County and WMATA from amending the Surcharge Implementation Agreement. The County's obligation under the respective Project Agreements to restore deficiencies in the Reserve Subfund is the primary credit feature of the Bonds. The obligation of the County to restore deficiencies in the Reserve Subfund is subject to annual appropriations by the Montgomery County Council.

Surcharge Reserve Account

Certain Provisions of the Surcharge Implementation Agreement: Pursuant to the Surcharge Implementation Agreement, the WMATA Board of Directors, based on consideration of County recommendations, has established and maintained the Surcharge on all WMATA controlled Park and Ride parking spaces in the County. Amounts equivalent to revenue generated by the Surcharge are retained in the Surcharge Reserve Account, which is a reserve for the County established and held by WMATA in trust for the purposes provided in the Surcharge Implementation Agreement. Under the Surcharge Implementation Agreement, amounts in the Surcharge Reserve Account are applied first to the payment of amounts payable by WMATA to

the County under “facility leases.” “[F]acility leases” include not only the Shady Grove Facility Lease and the Grosvenor Facility Lease, but also the facility leases for other Metrorail-related parking projects in Montgomery County (hereinafter discussed under “Other Financings and Parking Projects”).

After payment of amounts payable under facility leases, amounts in the Surcharge Reserve Account are applied to certain other expense categories, including costs of insurance, casualty and condemnation losses, debt service on other loans for other parking projects, reimbursement to the County for any replenishment of debt service reserves, reimbursement to the County or WMATA for advances to the Surcharge Reserve Account, reimbursement to the County or WMATA for amounts expended in connection with the planning, design or construction of other parking structures, prepaying or defeasing debt (including the Bonds), and paying any other costs incurred in connection with the parking structures. The County anticipates that amounts on deposit in the Surcharge Reserve Account will be available to prepay or defease debt, including the Bonds.

WMATA’s operating expenses are met, in part, by amounts appropriated by the participating political subdivisions in the Washington, D.C. metropolitan area, including the State of Maryland for service in Montgomery County. Maryland payments to WMATA, including those for service in Montgomery County, are made by the Washington Suburban Transit Commission (the “WSTC”). The WSTC receives quarterly statements from WMATA designating its contribution for the forthcoming quarter (the “Jurisdictional Contribution”) and advances funds to WMATA in payment of such Jurisdictional Contribution. When WMATA forwards its request to the WSTC for the quarterly jurisdictional contribution, WMATA will project the deficit, if any, which will exist in the Surcharge Reserve Account on the last day of such quarter. WMATA may pay into the Surcharge Reserve Account the amount of such projected deficit or may increase its request to the County by such amount so that the Surcharge Reserve Account will contain sufficient funds to meet WMATA’s obligations payable therefrom. Any such quarterly contribution by the County to meet anticipated deficits in the Surcharge Reserve Account is subject to appropriation by the County. See the caption “THE PROJECTS--County Contributions.” The County and WMATA are entitled to be reimbursed out of funds held thereafter in the Surcharge Reserve Account for any contributions thereto. The Surcharge Implementation Agreement also provides that any time a surplus exists, WMATA and the County may elect to apply such surplus to the defeasance of Bonds or other bonds payable from rental payments by WMATA pursuant to facility leases. The Surcharge Implementation Agreement may be amended by the parties thereto, and any such amendment could affect the provisions described above, including the use and application of amounts in the Surcharge Reserve Account.

The Surcharge: WMATA first implemented the Surcharge in the County effective February 27, 1989. At that time, the Surcharge applied to approximately 6,211 WMATA-operated spaces in the County plus 500 designated WMATA spaces in County-managed garages, at the rate of \$1.00 per car per day. On September 22, 1990 another 1,800 spaces were added, and effective July 1, 1991, the Surcharge was increased by \$0.25 per car per day. The Surcharge was suspended in July 1994 and re-imposed at \$1.25 beginning July 1997. The 1,781-space Glenmont Metro parking garage opened on July 25, 1998. The total number of parking spaces

subject to the Surcharge is 10,292, comprised of 9,552 WMATA-operated spaces plus 740 spaces managed by the County. Upon completion of the Shady Grove project, the total number of spaces subject to the Surcharge will be 11,822. Upon completion of the Grosvenor project, the total spaces subject to the Surcharge will be 13,122. The Surcharge rate is subject to adjustment by the WMATA Board of Directors upon the request of the County.

The following table shows for each of the last five fiscal years ended June 30 a statement (unaudited) of revenues, expenses, changes in fund balance and fund balance for the Surcharge Reserve Account. These figures are presented on a cash basis of accounting:

Parking Surcharge Account Summary

Fiscal Year	I Parking Revenue	II Parking Revenue Interest	III Expenses	(I+II)-III Net Annual Increase/ (Decrease)	Cumulative Balance
1997	NA	NA	NA	NA	\$0
1998	\$2,081,515	\$58,224	\$0	\$2,139,739	\$2,139,739
1999	2,041,449	166,131	0	2,207,580	4,347,319
2000	2,423,418	325,041	0	2,748,460	7,095,778
2001	2,534,889	491,843	82,023	2,944,709	10,040,487

Source: WMATA

Additional Bonds

The County may issue Additional Bonds from time to time under and secured by the Trust Agreement for the purpose of providing funds to pay all or any portion of the cost of repairing or restoring either Project in the event that the award from condemnation, title insurance proceeds from a defect in or loss of title or the insurance proceeds from fire or other casualty are not sufficient therefor. Additional Bonds may also be issued for the purposes of completing either Project. Except as to any differences in credit enhancement or insurance, rate or rates of interest, maturities or provisions for redemption, among other things, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as all other Bonds theretofore or thereafter issued under such Trust Agreement. See Appendix B —“DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Trust Agreement – Additional Bonds.” The Trust Agreement does not provide for the issuance of Additional Bonds to finance parking structures other than the Projects or to finance additions or expansions to the Projects.

Other Financings and Parking Projects

The County and WMATA may agree in the future to plan, design, finance, construct, lease, and operate additional parking structures. Such additional parking structures may be financed with bonds secured by facility leases payable from the Surcharge Reserve Account on a

parity basis with payments made under the Shady Grove Facility Lease and the Grosvenor Facility Lease.

THE PROJECTS

Description of the Shady Grove Project

General: The Shady Grove Project is a seven-level 2,100-space garage. Because it is being constructed on an existing surface lot, it will provide a net increase of about 1,530 new spaces. The total cost of the Shady Grove Project is expected to be about \$27.7 million, to be paid by a combination of funds including a \$9 million grant from the State of Maryland, the Bond proceeds and Surcharge revenues.

Background: The Shady Grove Metrorail Station is the terminus of the Metrorail system's "Red Line" into Montgomery County. The County considers the station to be a key gateway into Montgomery County, the Metrorail system and the Nation's Capital. WMATA completed the original Shady Grove Metrorail Station in December 1984. The station was originally served by a 500-space surface parking lot built and operated by the County. Responding to ridership demands, in 1990 the County opened a 1,350-space parking garage on the site of the original surface parking lot. In the late 1990's, County planning staff, in consultation with planning staff from the Maryland-National Capital Park and Planning Commission, representatives from WMATA and Walker Parking Consultants/ Engineers, Inc., determined that approximately 3,100 net new parking spaces would be needed in close proximity to the Shady Grove Metrorail Station area by the year 2020. The County decided to implement the expansion of parking in two phases—roughly half of the expansion will result from the Shady Grove Project and half will follow at an unspecified time in the future. The Shady Grove Project will be built by the County pursuant to the terms of the Shady Grove Project Agreement, on land leased from WMATA pursuant to the terms of the Shady Grove Ground Lease. WMATA will then lease the Shady Grove Project from the County and operate and maintain the facility, pursuant to the terms of the Shady Grove Facility Lease. Payment of amounts due under the Shady Grove Facility Lease will be made from amounts on deposit in the Surcharge Reserve Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" above.

Construction: Construction of the Shady Grove Project began on March 19, 2001 and is projected to end in the summer of 2002. The Shady Grove Project is sited on a portion of an existing parking lot, and during the construction roughly 500 previously existing surface spaces have been relocated to a temporary parking lot adjacent to the Station. The County has also instituted shuttle service from a new Park and Ride lot that is nearby.

Description of the Grosvenor Project

General: The Grosvenor Project is a garage providing a net increase of about 1,300 new spaces. The total cost of the project is expected to be about \$27.4 million, to be paid by a combination of funds including a \$500,000 grant from the State of Maryland, the bond proceeds and Surcharge revenues.

Background: The original Grosvenor Metrorail Station opened on August 25, 1984. The station was originally served by a 640-space surface parking lot built and operated by the County. The project, which will be built on the current surface lot, will increase the parking capacity at the station to approximately 2,000 spaces. The project will incorporate a covered pedestrian bridge to enhance access to the Strathmore Hall Arts Center. Planning studies show that the project is needed to increase the amount of available parking to meet current demands, and at 2,000 spaces the facility will be maximally built-out. The Grosvenor Project will be built by the County pursuant to the terms of the Grosvenor Project Agreement, on land leased from WMATA pursuant to the terms of the Grosvenor Ground Lease. WMATA will then lease the Grosvenor Project from the County and operate and maintain the facility, pursuant to the terms of the Grosvenor Facility Lease. Payment of amounts due under the Grosvenor Facility Lease will be made from amounts on deposit in the Surcharge Reserve Account. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” above.

Construction: Construction of the Grosvenor Project will begin in July 2002 and is projected to end in 2003. The Grosvenor Project is sited on a portion of an existing parking lot, and the County is currently negotiating agreements to replace the 300 affected spaces temporarily.

Certain Provisions of the Facility Leases

Each Facility Lease obligates WMATA to pay a stated base rent (“Basic Rent”) on a semiannual basis and other Rental due under the respective Facility Lease (“Additional Rent”). WMATA has covenanted under the respective Facility Lease to make contributions (“Contributions to Project Cost”) for the payment of interest accruing on the Bonds during the construction period of the respective Project. Basic Rent is due five days before each interest payment date on the Bonds. Basic Rent payments and Contributions to Project Cost are expected to be sufficient to enable the County to meet the scheduled debt service payments on the Bonds. WMATA’s rental obligations under a Facility Lease may be abated should certain events or conditions render more than half of the parking spaces at the respective Project unavailable to WMATA or unusable for their intended use for a period in excess of 30 consecutive days. In the event of a casualty to either Project, WMATA may, under certain circumstances, elect not to rebuild the respective Project but defease the Bonds, but only (i) upon the prior written approval of the County, and (ii) if there exist sufficient funds (whether from insurance proceeds or paid by WMATA or from other sources) to defease the outstanding Bonds.

WMATA’s obligations to make payments under the Facility Leases are payable solely from funds in the Surcharge Reserve Account which under the terms of the Surcharge Implementation Agreement are available for payments under facility leases and are not conditioned on appropriation.

Certain Provisions of the Project Agreements

Each Project Agreement obligates the County to construct the respective Project. The Project Agreements make final design and construction of the Projects dependent on approval of

the Projects by the WMATA Board after a public hearing and on the obtaining of other permits and approvals that may be required by law, including required zoning approvals.

The Shady Grove Project. The WMATA Board on March 30, 1988 conducted a public hearing and on April 28, 1988 approved the Shady Grove Project. The County has obtained all necessary permits and approvals, and commenced construction on or about March 19, 2001. There are three main contractors working on the Shady Grove Project: the design contractor is Walker Parking Consultants, Inc. (\$2 million); CDCI has a \$1 million contract to build the temporary parking area; and San Jose Construction has a \$24 million contract to build the garage. The design work is complete, the temporary parking is complete, and the garage is approximately 85% complete as of April 30, 2002. As of April 30, 2002 the County had advanced \$20.8 million toward the cost of the project, \$9 million of which was reimbursed by the State, and \$4.6 million of which came from the Surcharge and is not to be reimbursed.

The Grosvenor Project. The WMATA Board on August 1, 2001 conducted a public hearing and on November 8, 2001 approved the Grosvenor Project. The County has obtained all necessary permits and approvals, and expects to commence construction on or about July 1, 2002. There are two main contractors working on the Grosvenor Project: the design contractor is Walker Parking Consultants, Inc. (approximately \$2 million); SK Contractors has an approximately \$24 million contract to build the garage. The design work is complete and as of April 30, 2002 the County had advanced \$706,000 toward the project.

Funding Responsibilities. The County has sole responsibility for funding the planning, design and construction of the Projects. In the event that the County determines that there are or may be costs payable on either Project in excess of funds available for the purpose under the Trust Agreement, the County and WMATA will endeavor to agree upon options to address such additional costs. Such options include without limitation (i) direct payment from the Surcharge Reserve Account, (ii) the issuance of Additional Bonds by the County, and (iii) changing the scope of such Project or otherwise modifying or terminating the respective construction contract.

County Contributions

As previously described, under the Surcharge Implementation Agreement the County may, subject to annual appropriation, make advances, separately or included in quarterly jurisdictional advances, to WMATA to meet anticipated deficits in the Surcharge Reserve Account so as to provide WMATA with funds that, together with parking surcharge revenues, will equal amounts payable under the Facility Leases. In addition, pursuant to the terms of the Project Agreements, the County, subject to annual appropriation, has covenanted to budget, appropriate and pay to the extent necessary from its general fund, in each fiscal year in which the Bonds are outstanding, an amount sufficient to restore the Debt Service Reserve Subfund to its required level. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Debt Service Reserve Subfund” herein.

The obligations of the County to make (i) payments to WMATA to meet anticipated deficits in the Surcharge Reserve Account under the Surcharge Implementation

Agreement, and (ii) payments equal to deficiencies in the Debt Service Reserve Subfund, are contingent upon the appropriation for each fiscal year by the County Council of Montgomery County of funds from which these payments can be made. The County will not be liable for any such amounts payable to WMATA unless and until such funds have been appropriated for payment and then only to the extent thereof.

The Jurisdictional Contribution, the Surcharge Implementation Agreement and the obligation to replenish the Debt Service Reserve Subfund shall not constitute a pledge of the full faith and credit or taxing power of the County or a bond or debt of the County within the meaning of any statutory or constitutional provision.

Project Costs

The Shady Grove Project. The various construction-related costs of the Shady Grove Project including construction, design and engineering costs, temporary parking and other related costs are estimated to amount to approximately \$27.7 million for the Shady Grove Project. The County intends to fund such costs from the proceeds of the Bonds, a \$9 million grant from the State of Maryland, and \$4.6 million from the Surcharge Reserve Account. The State of Maryland grant has been received and fully applied to costs of the Shady Grove Project. As of April 30, 2002, \$4.6 million from the Surcharge Reserve Account has been applied to the costs of the Shady Grove Project. The Trust Agreement requires before the delivery of the Bonds, that an Engineer (as defined within the Trust Agreement) certify that according to such Engineer's estimate of the total required for paying or completing the Cost (as defined within the Trust Agreement) of the Shady Grove Project, the proceeds of the Bonds, together with any other funds made available therefor, will be sufficient for paying such Cost.

The Grosvenor Project. The various construction-related costs of the Grosvenor Project including construction, design and engineering costs, temporary parking and other related costs are estimated to amount to approximately \$27.4 million. The County intends to fund such costs from the proceeds of the Bonds, a \$500,000 million grant from the State of Maryland, Mass Transit Administration and \$5.96 million from the Surcharge Reserve Account. The State of Maryland grant will be applied to costs of the Arts Walk portion of the Grosvenor Project when it is received; if the funding is not received, this portion of the Grosvenor Project will not be implemented. The Agreement requires before the delivery of the Bonds, that an Engineer (as defined within the Trust Agreement) certify that according to such Engineer's estimate of the total required for paying or completing the Cost (as defined within the Trust Agreement) of the Grosvenor Project, the proceeds of the Bonds, together with any other funds made available therefor, will be sufficient for paying such Cost.

SOURCES AND USES OF FUNDS

The County estimates that the total cost of the Projects will be funded as follows:

Sources of Funds:¹

Par amount of Bonds.....	\$37,880,000.00
Original Issue Premium on Bonds.....	158,644.00
Surcharge Reserve Account	10,544,436.00
Shady Grove State Grant.....	9,000,000.00
Grosvenor State Grant.....	<u>500,000.00</u>
Total	<u>\$58,083,080.00</u>

Uses of Funds:²

Deposit to Shady Grove Construction Account ..	\$27,427,000.00
Deposit to Grosvenor Construction Account	27,181,024.64
Deposit to Reserve Subfund.....	2,997,250.00
Costs of issuance ³	151,520.00
Underwriter's Discount.....	158,644.00
Contingency.....	<u>167,641.36</u>
Total	<u>\$58,083,080.00</u>

¹ Excluding accrued interest.

² Excluding interest accrued on the Bonds from June 1, 2002 to their date of issue.

³ Includes rating fees, trustee fees, legal and professional fees and other miscellaneous fees and expenses.

The accrued interest received upon the delivery of the Bonds will be set aside with the Trustee and applied to pay a part of the interest due on the Bonds on December 1, 2002.

DEBT SERVICE REQUIREMENTS

The table on the following page sets forth, for each of the fiscal years ending June 30, the amounts required in such fiscal year for the payment of principal and interest on the Bonds.

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Fiscal Year	Annual Bond Debt Service		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2003	\$ --	\$1,682,005	\$1,682,005
2004	--	1,682,005	1,682,005
2005	1,200,000	1,682,005	2,882,005
2006	1,305,000	1,643,005	2,948,005
2007	1,350,000	1,598,961	2,948,961
2008	1,395,000	1,551,711	2,946,711
2009	1,450,000	1,499,399	2,949,399
2010	1,505,000	1,443,211	2,948,211
2011	1,565,000	1,381,506	2,946,506
2012	1,635,000	1,316,950	2,951,950
2013	1,705,000	1,247,463	2,952,463
2014	1,780,000	1,175,000	2,955,000
2015	1,860,000	1,099,350	2,959,350
2016	1,945,000	1,019,370	2,964,370
2017	2,040,000	933,790	2,973,790
2018	2,135,000	841,990	2,976,990
2019	2,240,000	743,780	2,983,780
2020	2,355,000	638,500	2,993,500
2021	2,470,000	520,750	2,990,750
2022	2,600,000	397,250	2,997,250
2023	2,730,000	267,250	2,997,250
2024	2,615,000	130,750	2,745,750
Total	<u>\$37,880,000</u>	<u>\$24,496,001</u>	<u>\$62,376,001</u>

DESCRIPTION OF THE BONDS

General Description

The Bonds will be dated, will bear interest and will mature, subject to prior redemption, on June 1 in the years and principal amounts set forth on the cover page and inside front cover of this Official Statement.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed. DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to County. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository. In that event, bond certificates will be printed and delivered.

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and the County takes no responsibility for the accuracy thereof.

Optional Redemption

The Bonds are subject to redemption prior to maturity at the option of the County from any moneys available therefor on any date on or after June 1, 2012, in whole or in part in increments of \$5,000 or whole multiples thereof, during the following redemption periods, upon payment of the following redemption prices (expressed as a percentage of principal amount of the Bonds or the portions thereof to be redeemed) plus interest accrued to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
June 1, 2012 and thereafter	100%

Selection of Bonds for Redemption

Bonds shall be redeemed only in increments of \$5,000 or whole multiples thereof. If less than all of the Bonds of a particular maturity is called for redemption, the Bonds or portions thereof to be redeemed will be selected by the Trustee in such manner as the Trustee in its sole discretion may determine, each portion of \$5,000 principal amount being counted as one Bond

for such purpose. If a portion of a Bond shall be called for redemption, a new Bond in a principal amount equal to the unredeemed portion thereof, and of the same series and maturity, will be issued to the Bondholder upon the surrender thereof.

Notice of Redemption

The Trustee will send notice of any call for redemption by first class mail, postage prepaid, not less than 30 nor more than 90 days prior to the redemption date to all Bondholders of the Bonds to be redeemed, whether in whole or in part. Failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond with respect to which no such failure or defect has occurred. Such notice shall identify the Bonds or portions thereof to be redeemed, the date fixed for redemption, the redemption price to be paid, and, if appropriate, the maturities and identifying numbers and letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

If, on or before the date fixed for redemption, the County has deposited with the Trustee funds sufficient to pay the principal of, premium, if any, and interest accrued thereon to the redemption date on the Bonds called for redemption, such bonds or portions thereof so called for redemption shall cease to bear interest from and after the redemption date, shall no longer be entitled to benefits provided by the Trust Agreement and shall not be deemed to be outstanding under the provisions of the Trust Agreement. So long as the Bonds are in book-entry only form, any notice of redemption shall be given to the securities depository or its nominee as the sole registered owner of the Bonds. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” with respect to provision of such notice to the beneficial owners of the Bonds.

THE COUNTY

General

Montgomery County, Maryland is a body politic and corporate and a political subdivision of the State of Maryland. For more information respecting the County, see the County’s Annual Information Statement dated December 28, 2001, incorporated herein by reference as Appendix A and published under separate cover.

Selected Debt and Financial Schedules

Tables 1 through 7 presented on the following pages have been updated to provide current information on Montgomery County’s financial position. For more information on the County, and a complete overview of the County’s debt, please see the County’s Annual Information Statement dated December 28, 2001, incorporated herein by reference as Appendix A and published under separate cover.

[table appears on next page]

Table 1
Statement of Direct and Overlapping Debt
As of March 31, 2002

Direct Debt:		
General Obligation Bonds Outstanding	\$1,280,053,054	
Short-Term BANs/Commercial Paper Outstanding	40,000,000	
Long-Term Notes Payable	1,425,643	
Revenue Bonds Outstanding	<u>65,505,000</u>	
Total Direct Debt		\$1,386,983,697
Overlapping Debt (as of June 30, 2001):		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,051,206,700	
Housing Opportunities Commission	667,405,604	
Montgomery County Revenue Authority	43,458,735	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	53,298,084	
Kingsview Village Center Development District	2,410,000	
Towns, Cities and Villages within Montgomery County	<u>30,267,817</u>	
Total Overlapping Debt		<u>1,848,046,940</u>
Total Direct and Overlapping Debt		3,235,030,637
Less Self-Supporting Debt:		
County Government Revenue Bonds	65,505,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County (as of June 30, 2001)	1,051,206,700	
Housing Opportunities Commission (as of June 30, 2001)	667,405,604	
Montgomery County Revenue Authority (as of June 30, 2001)	43,458,735	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County (as of June 30, 2001)	<u>17,453,084</u>	
Total Self-Supporting Debt		<u>(1,845,029,123)</u>
Net Direct and Overlapping Debt		<u>\$1,390,001,514</u>
Ratio of Debt to June 30, 2001 Assessed Valuation of (100% Assessment):		\$78,200,380,285
Direct Debt	1.77%	
Net Direct Debt *	1.69%	
Direct and Overlapping Debt	4.14%	
Net Direct and Overlapping Debt	1.78%	
Ratio of Debt to June 30, 2001 Market Value of:		\$83,099,737,424
Direct Debt	1.67%	
Net Direct Debt *	1.59%	
Direct and Overlapping Debt	3.89%	
Net Direct and Overlapping Debt	1.67%	

* Net Direct Debt of \$1,321,478,697 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Table 2
Statement of Legal Debt Margin
As of March 31, 2002

June 30, 2001 Assessed Valuation – Real Property	\$74,122,532,195
Debt Limit (% of Assessed Valuation)	<u>6%</u>
Subtotal Limitation – Real Property	<u>4,447,351,931</u>
June 30, 2001 Assessed Valuation – Personal Property	\$4,077,848,090
Debt Limit (% of Assessed Valuation)	<u>15%</u>
Subtotal Limitation – Personal Property	<u>611,677,214</u>
Total Assessed Valuation – Real and Personal Property	\$78,200,380,285
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	\$5,059,029,145
Less Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds Outstanding	\$1,280,053,054
Short-Term BANs/Commercial Paper	40,000,000
Long Term Notes Payable	<u>1,425,643</u>
Net Direct Debt	<u>1,321,478,697</u>
Legal Debt Margin	<u>\$3,737,550,448</u>
Net Direct Debt as a Percentage of Assessed Valuation	<u>1.69%</u>

(The remainder of this page has been left blank intentionally.)

Table 3
General Obligation Debt of the County
As of June 30, 2001
and March 31, 2002

<u>Issue</u>	<u>Dated Date</u>	<u>Original Issue Size</u>	<u>Original Interest Rates</u>	<u>TIC*</u>	<u>Maturity</u>	<u>Principal Outstanding June 30, 2001</u>	<u>Principal Outstanding March 31, 2002</u>
GO Bonds	11/01/71	\$ 30,000,000	0.10-6.50%	4.3163%	1972-01	\$ 590,000	\$ --
GO Bonds	05/01/83	50,000,000	7.00-9.00	7.8999	1984-03	5,000,000	5,000,000
GO Bonds	06/01/84	55,000,000	9.00-9.75	9.3989	1985-04	8,250,000	8,250,000
GO Bonds	05/01/85	65,000,000	7.60-8.60	8.2205	1986-05	13,000,000	13,000,000
GO Bonds	04/01/86	50,000,000	5.80-6.30	6.0956	1987-06	12,500,000	12,500,000
GO Bonds	04/01/91	60,000,000	6.30-6.75	6.5230	1992-03	6,000,000	6,000,000
GO Bonds	10/01/91	70,000,000	5.75-6.125	5.9747	1992-02	10,500,000	3,500,000
GO Refunding Bonds	07/01/92	273,038,054	2.75-5.80	5.7431	1993-10	205,823,054	177,708,054
GO Bonds	10/01/92	115,000,000	5.00-5.75	5.4740	1993-03	34,500,000	11,500,000
GO Refunding Bonds	08/15/93	60,005,000	2.50-5.00	4.9908	1994-11	56,785,000	56,210,000
GO Bonds	10/01/93	100,000,000	4.40-4.90	4.6899	1994-13	65,000,000	60,000,000
GO Bonds	10/01/94	100,000,000	5.20-6.125	5.7958	1995-08	40,000,000	35,000,000
GO Bonds	03/15/96	120,000,000	5.10-5.50	5.2946	1997-08	90,000,000	42,000,000
GO Bonds	04/15/97	115,000,000	5.00-5.375	5.3226	1998-17	92,000,000	63,250,000
GO Refunding Bonds	01/01/98	69,510,000	3.90-5.25	4.6400	2003-15	69,510,000	69,510,000
GO Bonds	04/01/98	115,000,000	4.875	4.7607	1999-18	97,750,000	97,750,000
GO Bonds	04/01/99	120,000,000	4.00-5.00	4.4764	2000-19	108,000,000	108,000,000
GO Bonds	01/01/00	130,000,000	5.00-6.00	5.4853	2001-13	123,500,000	71,500,000
GO Bonds	02/01/01	140,000,000	4.00-5.00	4.5447	2002-21	140,000,000	133,000,000
GO Refunding Bonds	11/15/01	146,375,000	3.60-5.25	4.5107	2003-19	--	146,375,000
GO Bonds	02/01/02	160,000,000	3.50-5.00	4.4619	2003-22	--	160,000,000
Total						<u>\$1,178,708,054</u>	<u>\$1,280,053,054</u>

* True Interest Cost.

(The remainder of this page has been left blank intentionally.)

Table 4
General Obligation Bonds Authorized – Unissued
As of March 31, 2002

<u>Purpose</u>	<u>Chapter</u>	<u>Act</u>	<u>Amount</u>	<u>Amount Unissued</u>
General County, Parks, and Consolidated Fire Tax District	19	1998	\$113,400,000	\$ 27,890,000
	18	1999	33,500,000	33,500,000
	22	2000	78,300,000	78,300,000
	17	2001	<u>35,200,000</u>	<u>35,200,000</u>
			<u>260,400,000</u>	<u>174,890,000</u>
Road & Storm Drainage	19	1998	77,000,000	5,410,000
	18	1999	30,000,000	30,000,000
	22	2000	77,600,000	77,600,000
	17	2001	<u>10,630,000</u>	<u>10,630,000</u>
			<u>195,230,000</u>	<u>123,640,000</u>
Public Schools and Community College	22	2000	82,900,000	6,013,000
	17	2001	<u>159,755,000</u>	<u>159,755,000</u>
			<u>242,655,000</u>	<u>165,768,000</u>
Mass Transit	18	1999	400,000	105,000
	22	2000	1,400,000	1,400,000
	17	2001	<u>6,700,000</u>	<u>6,700,000</u>
			<u>8,500,000</u>	<u>8,205,000</u>
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	<u>855,000</u>	<u>855,000</u>
			<u>5,630,000</u>	<u>5,570,000</u>
Parking Districts: Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	<u>1,220,000</u>	<u>1,220,000</u>
			<u>4,165,000</u>	<u>3,265,000</u>
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	<u>1,050,000</u>	<u>1,050,000</u>
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts			<u>13,315,000</u>	<u>8,130,000</u>
Total General Obligation Bonds			<u>\$725,730,000</u>	<u>\$486,203,000</u>

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1984, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Table 5
Bond Anticipation Notes Outstanding
As of March 31, 2002

<u>Issue</u>	<u>Balance</u> <u>July 1, 2001</u>	<u>BANs Issued</u>	<u>BANs Retired</u>	<u>Balance</u> <u>March 31, 2002</u>
BAN Series 1995-H	\$ 20,000,000	\$ --	\$ 20,000,000	\$ --
BAN Series 1995-I	105,000,000	--	105,000,000	--
BAN Series 1995-J	<u>--</u>	<u>75,000,000</u>	<u>35,000,000</u>	<u>40,000,000</u>
Total	<u>\$125,000,000</u>	<u>\$ 75,000,000</u>	<u>\$160,000,000</u>	<u>\$ 40,000,000</u>

(The remainder of this page has been left blank intentionally.)

Table 6
Montgomery County, Maryland
Schedule Of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual ⁽²⁾			Fiscal Year Budget 2002 ⁽³⁾	Actual July 1, 2001 to December 31, 2001 (Unaudited)
	1999	2000	2001		
Revenues:					
Taxes:					
Property, including interest & penalty	\$ 593,103,639	\$ 610,403,414	\$ 623,819,661	\$ 643,515,740	\$ 427,745,957
Transfer tax and recordation tax	93,009,575	99,771,486	102,381,412	94,680,000	65,759,276
County income tax	689,203,638	761,148,755	812,352,208	823,950,000	308,104,521
Other taxes	45,183,618	43,312,655	46,768,742	46,020,000	13,750,875
Total Taxes	1,420,500,470	1,514,636,310	1,585,322,023	1,608,165,740	815,360,629
Licenses and permits	4,338,599	4,508,738	4,631,314	4,964,600	1,131,123
Intergovernmental revenue	93,255,279	98,051,154	102,932,299	111,046,360	43,604,368
Charges for services	7,337,927	7,904,754	8,961,699	8,807,095	2,981,328
Fines and forfeitures	3,188,275	4,550,638	6,195,417	8,914,180	3,002,150
Investment income	18,155,871	21,831,424	16,998,296	23,581,000	5,028,458
Miscellaneous	8,061,519	8,300,775	9,596,381	8,247,110	2,448,675
Total Revenues	<u>1,554,837,940</u>	<u>1,659,783,793</u>	<u>1,734,637,429</u>	<u>1,773,726,085</u>	<u>873,556,731</u>
Expenditures (including encumbrances):					
General County:					
General government	139,868,204	152,711,792	153,528,937	164,165,155	97,848,645
Public safety	149,815,388	163,575,547	172,137,027	187,605,789	102,778,367
Transportation and public works	36,671,572	35,155,518	36,326,517	33,627,407	20,585,834
Health and human services	115,372,553	130,598,688	145,121,009	153,141,930	95,937,529
Culture and recreation	34,407,208	37,032,110	37,985,645	45,552,736	29,119,955
Housing and community development	2,883,758	4,104,510	4,256,355	3,803,875	2,350,135
Environment	3,197,837	3,549,047	4,502,897	4,465,333	2,317,998
Total Expenditures	<u>482,216,520</u>	<u>526,727,212</u>	<u>553,858,387</u>	<u>592,362,225</u>	<u>350,938,463</u>
Operating Transfers In (Out):					
Operating Transfers In:					
Special Revenue Funds	9,091,019	10,117,342	10,283,760	12,850,550	6,425,275
Enterprise Funds	17,042,960	17,248,580	19,679,903	30,453,480	15,226,740
Trust Funds	--	--	--	--	--
Internal Service Funds	--	--	--	500,000	250,000
Component Units	110,000	192,696	644,650	103,750	560,879
Total Operating Transfers In	<u>26,243,979</u>	<u>27,558,618</u>	<u>30,608,313</u>	<u>43,907,780</u>	<u>22,462,894</u>
Operating Transfers Out:					
Special Revenue Funds	(11,590,135)	(15,719,842)	(25,516,861)	(18,315,572)	(9,436,192)
Debt Service Fund	(136,484,729)	(134,767,348)	(143,528,192)	(164,804,300)	(75,666,390)
Capital Projects Fund	(14,189,353)	(38,907,827)	(52,079,521)	(116,271,439)	(15,005,674)
Enterprise Funds	(3,903,074)	(5,988,835)	(4,326,035)	(3,755,716)	(1,571,560)
Internal Service Funds	(1,410,500)	(615,290)	(1,581,897)	(455,018)	--
Component Units ⁽¹⁾	(883,972,417)	(938,162,658)	(1,035,534,480)	(1,131,128,652)	(575,547,327)
Total Transfers Out	<u>(1,051,550,208)</u>	<u>(1,134,161,800)</u>	<u>(1,262,566,986)</u>	<u>(1,434,730,697)</u>	<u>(677,227,143)</u>
Net Operating Transfers In (Out)	<u>(1,025,306,229)</u>	<u>(1,106,603,182)</u>	<u>(1,231,958,673)</u>	<u>(1,390,822,917)</u>	<u>(654,764,249)</u>
Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out	<u>47,315,191</u>	<u>26,453,399</u>	<u>(51,179,631)</u>	<u>(209,459,057)</u>	<u>(132,145,981)</u>
Fund Balances, July 1 as previously stated	148,530,451	211,266,962	255,964,974	234,640,751	234,640,751
Net Adjustment for previous year encumbrances	15,211,912	18,244,613	29,855,408	29,312,780	29,312,780
Fund Balances, July 1 restated	163,742,363	229,511,575	285,820,382	263,953,531	263,953,531
Equity transfers in (out)	209,408	--	--	--	--
Budgetary Fund Balance – Subtotal	<u>\$ 211,266,962</u>	<u>\$ 255,964,974</u>	<u>\$ 234,640,751</u>	<u>\$ 54,494,474</u>	<u>\$ 131,807,550</u>
Projections through year end:					
Revenue/Transfers In Remaining				--	903,252,984
Expenditures/Transfers Out Remaining				--	(911,808,798)
Budgetary Fund Balance Projected to June 30				<u>\$ 54,494,474</u>	<u>\$ 123,251,736</u>

(1) Amount for FY00 restated to comply with Governmental Accounting Standards Board Statement Number 33.

(2) Amounts for FY99-01 are audited.

(3) Updated for budget adjustments as of December 31, 2001.

Note: Actual and budget amounts are for fiscal years ended June 30.

Table 7
General Fund
Schedule Of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Projected July 1, 2001 to June 30, 2002 (Unaudited) ⁽¹⁾
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above	\$211,266,962	\$255,964,974	\$234,640,751	\$123,251,736
Plus encumbrances outstanding	20,625,655	33,029,310	29,312,780	27,655,915
Adjustment for prior year encumbrances	(2,492,577)	(2,381,042)	(3,173,902)	(2,600,000)
Unrealized investment gain (loss)	(1,290,016)	1,169,668	142,060	--
Net differences between beginning fund balances ⁽²⁾	<u>2,147,311</u>	<u>745,760</u>	<u>3,123,811</u>	<u>2,691,969</u>
GAAP Fund Balance as Reported	<u>\$230,257,335</u>	<u>\$288,528,670</u>	<u>\$264,045,500</u>	<u>\$150,999,620</u>
Elements of GAAP Fund Balance:				
Reservations	\$ 22,947,323	\$ 36,225,684	\$ 32,711,557	\$ 30,628,188
Designated for CIP Transfers	31,294,410	36,001,151	54,234,669	82,639,738
Designated for subsequent years expenditures ⁽³⁾	85,527,972	140,856,091	117,794,569	--
Unreserved / Undesignated	<u>90,487,630</u>	<u>75,445,744</u>	<u>59,304,705</u>	<u>37,731,694</u>
	<u>\$230,257,335</u>	<u>\$288,528,670</u>	<u>\$264,045,500</u>	<u>\$150,999,620</u>

(1) Estimated

(2) Amount restated to break out the impact of unrealized investment gains (losses).

(3) Fiscal Year 2002 amount not yet determinable.

Note: All amounts are for fiscal years ended June 30.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WMATA operates a subway and surface rail transit system known as “Metrorail,” as well as bus service serving Washington, D.C. and the surrounding Virginia and Maryland suburbs. The rail system presently consists of a 103-mile rail network including 38.3 miles in Washington, D.C., 35.3 miles in Maryland and 29.4 miles in Virginia. Within the geographical confines of the County are 19.5 miles of track, eleven Metrorail stations, and related surface parking lots and garages operated by WMATA.

WMATA is an interstate compact agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia, organized and established pursuant to the Washington Metropolitan Area Transit Authority Compact, Pub. L. 89-774 (1966) (as amended, the “WMATA Compact”). WMATA is governed by a Board of Directors comprised of six Principals and six Alternates, composed of two Principals and two Alternates from each signatory to the WMATA Compact. The Principals and Alternates for Virginia are appointed by the Northern Virginia Transportation Commission from its members; for the District of Columbia by the City Council from among its members and mayoral nominees; and for Maryland by the Washington Suburban Transit Commission from among its members, whose Principals are appointed by the Governor of Maryland and whose Alternates are appointed by Montgomery and Prince George’s Counties. Under the WMATA Compact, no action may be

taken by the Board without a majority vote, which majority must include at least one vote from each signatory to the WMATA Compact.

WMATA was formed to plan, construct, finance and operate a public transit system serving the Washington Area Metropolitan Transit Zone. The Zone includes the following participating local jurisdictions: the District of Columbia; the cities of Alexandria; Falls Church and Fairfax in Virginia; and the counties of Arlington and Fairfax in Virginia and Montgomery and Prince George's in Maryland. Loudon County is also a member of the Zone; however, there is currently no WMATA-provided service in Loudon County. Prince William County in Virginia and Anne Arundel County in Maryland are members of the Zone for the limited purpose of having WMATA provide certain bus service in those counties. In furtherance of its purpose, WMATA owns and operates the Metrorail system throughout the Washington Metropolitan area. It also owns and operates certain adjunct parking facilities adjacent to its Metrorail system. It is authorized, pursuant to the WMATA Compact, as amended, to enter into the Surcharge Implementation Agreement and the Project Agreement, the Ground Lease and the Facility Lease with respect to the Project, to pay rentals with respect thereto, to pay operating and maintenance costs of such parking areas and facilities, and to collect parking surcharge fees for the use of such parking facilities.

Capital funding for the Metrorail system has been provided by a combination of direct Congressional appropriations, proceeds of federally-guaranteed WMATA revenue bonds, federal grants and local contributions from participating political subdivisions. In 1993 WMATA provided for the payment of the federally-guaranteed WMATA revenue bonds from federal funds and the proceeds of its gross revenue transit refunding bonds.

WMATA operations are funded from farebox revenues as well as other sources, which include operating subsidies contributed by participating political subdivisions and federal grants. Operating subsidies allocated to the County are covered in full by the State of Maryland pursuant to State law. Federal grants are subject to annual Congressional appropriation. The County's allocation of the bus and rail operating subsidies for fiscal years 1992 through 2001, and the estimate for the County's fiscal year ended June 30, 2002 as well as the source of such funding are detailed in the following table:

[table appears on next page]

County Allocation of WMATA Operating Subsidies

<u>Fiscal Year</u>	<u>Bus Operations</u>	<u>Rail Operations</u>	<u>Rail Const. Management</u>	<u>ADA Paratransit</u>	<u>Enhanced Services</u>	<u>Debt Service on WMATA Revenue Bonds</u>	<u>Less Federal Section 9 Grants</u>	<u>Less State Aid</u>	<u>Net Operating Amount</u>
1992	\$25,483,235	\$13,487,712	\$445,012	NA		\$4,867,451	\$2,567,726	\$30,938,712	\$(10,776,972)
1993	22,962,512	16,093,663	463,147	NA		4,867,452	2,567,726	41,614,930	(204,118)
1994	23,794,988	17,264,474	494,424	NA		4,867,449	2,567,725	43,981,171	127,561
1995	23,886,502	18,321,732	388,489	\$ 594,060		4,867,452	2,567,725	45,428,900	(61,610)
1996	23,682,886	19,372,952	262,441	964,176		4,867,452	1,668,463	50,698,000	3,216,556
1997	22,788,095	19,672,165	313,657	1,288,930		4,867,452	1,071,913	49,586,171	1,727,785
1998	21,975,228	19,404,077	383,558	1,446,662		4,867,451	836,237	49,290,087	2,049,348
1999	23,036,435	20,542,480	486,112	1,814,256		4,867,449	NA	52,556,718	1,809,986
2000	23,832,400	24,153,878	NA	4,607,412		4,867,451	NA	62,875,672	5,414,531
2001 _(est)	25,809,264	23,608,956	NA	9,612,760		4,867,451	NA	63,898,431	--
2002 _(est)	26,659,469	23,463,085	NA	9,612,760	\$2,945,383	4,867,451	NA	67,548,149	--

Source: Montgomery County Department of Public Works and Transportation and Office of Management and Budget.

Capital funding for the Metrorail system has been provided by a combination of direct Congressional appropriations, proceeds of federally-guaranteed WMATA revenue bonds, federal grants and contributions from participating state and local political subdivisions. In 1993 WMATA provided for the payment of the federally-guaranteed WMATA revenue bonds from federal funds and the proceeds of its gross revenue transit refunding bonds.

TAX EXEMPTIONS

In the opinion of Bond Counsel, under existing law, the interest on the Bonds (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), there are certain requirements that must be met subsequent to the issuance of the Bonds in order for the interest on the Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the County will execute and deliver a Tax Certificate and Compliance Agreement (“Tax Agreement”) on the date of delivery of the Bonds. The covenants and agreements in the Tax Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, the covenants and agreements in the Tax Agreement are sufficient to meet the requirements (to the extent applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, “adjusted current earnings” would include, among other items, interest on the Bonds. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign

corporations operating branches in the United States, and such earnings and profits would include interest on the Bonds.

Other Federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from June 1, 2002, to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount for Federal income tax purposes ("OID"). The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Bonds.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from OID on the Bonds. In addition, prospective corporate

purchasers of the Bonds should consider possible Federal income tax consequences arising from OID on the Bonds under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Bonds and the profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

LITIGATION

The County is currently processing numerous claims for damages and is also a defendant in a number of lawsuits which are expected to be paid, when applicable, through its self-insurance program. Management and legal counsel believe that the self-insurance program is adequately funded to cover such claims and lawsuits to be paid out of the program. In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits and actions arising in the normal course of business. In the opinion of the County Attorney, none of such claims and suits will materially affect the County's ability to perform its obligations to the holders of its bonds and other obligations.

INDEPENDENT PUBLIC ACCOUNTANTS

The audited general purpose financial statements of the County included in the County's Annual Information Statement dated December 28, 2001 and incorporated herein by reference as Appendix A to this Official Statement have been audited by KPMG LLP (KPMG), independent public accountants, as indicated in their report with respect thereto. In that report, KPMG states that with respect to certain of the County's component units, its opinion is based on the reports of other independent public accountants. The report of KPMG also contains an explanatory paragraph which states that KPMG did not audit certain identified supplementary information and expressed no opinion thereon. Such audited general purpose financial statements have been included in reliance upon the qualification of said firm to issue said report.

LEGALITY FOR INVESTMENT

Under the Authorizing Legislation, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, insurance companies,

fiduciaries, trustees, guardians for all public funds of the State of Maryland or other political corporations or subdivisions of the State of Maryland, and any and all public funds of cities, towns, counties, school districts or other political corporations or subdivisions of the State of Maryland.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approving opinion of Venable, Baetjer and Howard, LLP, Baltimore, Maryland, Bond Counsel. Such opinion will be furnished without expense to the purchaser of the Bonds upon delivery of the Bonds.

Certain legal matters will be passed on for the County by the County Attorney, and for WMATA by its General Counsel.

RATINGS

Fitch Ratings, Inc., Moody's Investors Service, Inc., and Standard & Poor's Rating Group have given the Bonds the respective ratings indicated on the cover page of this Official Statement. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

Public Financial Management, Philadelphia, Pennsylvania, is serving as financial advisor to the County with respect to the issuance and sale of the Bonds.

CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer and the Director of Finance of the County will furnish a certificate to the successful bidders for the Bonds to the effect that, to the best of their knowledge and belief, this Official Statement (including, without limitation, the County's Annual Information Statement dated December 28, 2001 and incorporated herein by reference as Appendix A), as of the date of sale and the date of delivery of the Bonds, is true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact, required to be stated or necessary to be stated, to make such statements, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE UNDERTAKING

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”) to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the “Continuing Disclosure Agreement”) on or before the date of issuance and delivery of the Certificates, the form of which is attached to this Official Statement as Appendix C. Potential purchasers of the Certificates should note that the definition of Reportable Events in Appendix C is intended to completely restate the events specified in Rule 15c2-12.

The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

MISCELLANEOUS

All references to the Surcharge Implementation Agreement, the Trust Agreement, the Facility Lease and other documents mentioned herein and in the accompanying Appendices, including any summaries thereof, are qualified in their entirety by reference to such documents. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the registered Holders of the Bonds.

The information in this Official Statement is presented for the guidance of prospective purchasers of the Bonds described herein. The information has been compiled from official and other sources and, while not guaranteed by the County, is believed to be correct. So far as any statements made in this Official Statement and the Appendices attached hereto involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of facts, and no representation is made that any of the estimates will be realized.

The attached Appendices are integral parts of the Official Statement and must be read in their entirety together with all of the foregoing information.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution of this Official Statement and its delivery have been duly authorized by the County. This Preliminary Official Statement is hereby deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

Bruce Romer
Chief Administrative Officer

Timothy L. Firestine
Director, Department of Finance

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APPENDIX A

**ANNUAL INFORMATION STATEMENT
DATED DECEMBER 28, 2001**

**(Provided under separate cover
and incorporated herein by reference)**

The County's Annual Information Statement dated December 28, 2001 may be downloaded from www.mcmdbonds.emontgomery.org, located at the tab for Annual Information Statement.

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DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS

Summary of Certain Provisions of the Trust Agreement

Following is a summary of certain provisions of the Trust Agreement not otherwise summarized in the text of this Official Statement. Reference is made to the respective section in the Trust Agreement for a complete recital of the terms thereof.

Definitions

The following are definitions of certain terms used in the Trust Agreement and not otherwise defined in this Official Statement.

“Accreted Amount” means with respect to Capital Appreciation Bonds of any series, the amount set forth in a Supplemental Trust Agreement as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

“Accountant” means the firm of independent certified public accountants designated by the County Representative or, as applicable, a firm of independent financial professionals of national repute for having the skill and experience necessary to compute the Rebate Liability or prepare a verification report in connection with the issuance of Refunding Bonds.

“Acquisition” means acquisition, construction, improvement and placing into operation of the Projects.

“Additional Bonds” means Lease Revenue Bonds authorized pursuant to the Trust Agreement.

“Bond Registrar” means, for the Bonds of any series, the Bond Registrar at the time serving as such under the Trust Agreement and under the applicable Supplemental Trust Agreement, whether the original or a successor Bond Registrar.

“Bond Year” means the period commencing on the first day of June of any calendar year and ending on the last day of May of the following calendar year or such other annual period commencing and ending on the dates specified in a Supplemental Trust Agreement.

“Bonds” or “Lease Revenue Bonds” means the bonds issued under the Trust Agreement and includes the Series 2002 Bonds and any Additional Bonds and Refunding Bonds.

“Business Day” means any day on which the New York Stock Exchange is open, other than a Saturday or Sunday and other than a day on which commercial banks (including the Trustee, the Bond Registrar, any Credit Bank, any Insurer and any Paying Agent) are authorized to close in the State of Maryland, the Commonwealth of Virginia or in New York, New York.

“Capital Appreciation Bonds” means Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Trust Agreement and is payable upon redemption or on the maturity date of such Bonds.

“Closing” means the date on which Bonds are delivered against payment therefor.

“Completion Date” means, with respect to either Project, the date of completion of the Acquisition of such Project.

“Construction Subfund” means the Metrorail Lease Revenue Bond Construction Subfund created and so designated by the Trust Agreement.

“Contribution to Project Cost Account” means the Contribution to Project Cost Account established within the Construction Subfund and created and so designated by the Trust Agreement.

“Cost” as applied to either Project means, without intending thereby to limit or restrict any proper definition of such word under the Enabling Act, all items of cost set forth in the Trust Agreement.

“County Liabilities” means all expenses and obligations of the County under the Trust Agreement (other than Bonds and the principal, interest and any redemption premiums thereon and amounts paid or provided for from the proceeds of Bonds) including, without limitation: (i) fees and expenses of the Trustee, Paying Agent and Bond Registrar as Trust Agreement Expenses and (ii) any amount payable by the County to the United States of America as Rebate Liability.

“County Representative” means the Director of Finance of the County and each of the other persons at the time designated to act on behalf of the County in a written certificate furnished to the Trustee, any Paying Agent and the Bond Registrar, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the County by the County Executive.

“Credit Bank” means as to any particular series of Bonds, the person (other than an Insurer) providing a letter of credit, a line of credit, a guaranty or another credit- or liquidity-enhancement facility, as designated in the Supplemental Trust Agreement providing for the issuance of such Bonds.

“Credit Facility” means as to any particular series of Bonds, a letter of credit, a line of credit, a guaranty or another credit- or liquidity-enhancement facility (other than an insurance

policy issued by an Insurer), as approved in the Supplemental Trust Agreement providing for the issuance of such Bonds.

“Current Interest Bonds” means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in a Supplemental Trust Agreement.

“Debt Service Requirements” means, for any Bond Year, the aggregate of (a) the Principal and Interest Requirements on Bonds of all series then outstanding for such Bond Year and (b) the payments required to be made in respect of Parity Indebtedness for such Bond Year, employing in each case the methods of calculation as specified in “Additional Bonds” below; provided, however, that interest expense shall be excluded from the determination of Debt Service Requirements to the extent that such interest is to be paid from the proceeds of Bonds or Parity Indebtedness or from investment (but not reinvestment) earnings thereon (other than proceeds and investment earnings on deposit in the Reserve Subfund) if such proceeds shall have been invested in Defeasance Obligations and to the extent such earnings may be determined precisely. The County may provide in a Supplemental Trust Agreement that interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds be included in the determination of Debt Service Requirements.

“Debt Service Subfund” means the Metrorail Parking Project Debt Service Subfund created and so designated by the Trust Agreement.

“Defeasance Obligations” means Government Obligations and the obligations described in clause (C) of the definition of “Investment Obligations”.

“Deposit Day” means the last Business Day of each May and November (or for any series of Bonds any other day that may be designated in the Supplemental Trust Agreement as a “Deposit Day”), on which day a deposit is required to order that the sum of the available moneys on deposit on the next Interest Payment or Interest and Principal Payment Date shall be equal to the principal of and interest and redemption premium, if any, due and payable on the Bonds on such Date.

“Engineer” means a registered professional engineer licensed by the State, who may be an employee of WMATA.

“Event of Default” means any of those events of default set forth in the Trust Agreement.

“Excess Earnings” means the investment earnings on Bond proceeds on deposit in the Construction Subfund and on amounts on deposit in the Reserve Subfund which exceed the investment earnings that would result from investing such proceeds at the yield on the applicable series of Bonds and which are required by the terms of the Trust Agreement to be transferred to the Excess Earnings Account in the Improvement Subfund so designated by the Trust Agreement.

“Excess Earnings Account” means the account established within the Improvement Subfund created and so designated by the Trust Agreement.

“Government Obligations” means direct obligations of, or obligations the timely payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, or evidences of indirect ownership of such obligations.

“Holder” means a person in whose name a Bond (or one or more Predecessor Bonds) is registered on the registration books provided for in the Trust Agreement.

“Improvement Subfund” means the Metrorail Parking Project Improvement Subfund so created and designated by the Trust Agreement.

“Indebtedness” means (a) the Bonds, (b) all other indebtedness of the County relating to the Projects and payable from Pledged Revenues and (c) all installment sales and capital lease obligations relating to either Project and payable from Pledged Revenues and incurred or assumed by the County. Obligations to reimburse Credit Banks for amounts drawn under Credit Facilities to pay the Purchase Price of Optional Tender Indebtedness shall not constitute Indebtedness, except to the extent such obligations exceed the Debt Service Requirements on the Bonds or any Parity Indebtedness registered or pledged to or for the account of a Credit Bank that shall have paid the Purchase Price of Optional Tender Indebtedness.

“Insurer” means, as to any particular maturity or any particular series of the Bonds, the person undertaking to insure such Bonds, as designated in the Supplemental Trust Agreement providing for the issuance of such Bonds.

“Interest Payment Date” means a June 1 or December 1, as the case may be; provided, however, that Interest Payment Date may mean, if so provided in a Supplemental Trust Agreement permitted by the Trust Agreement, such other date or dates provided therein or permitted thereby.

“Interest Period” means each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

“Interest Requirement” for any Bond Year, as applied to Bonds of a series, means the total of the sums that would be deemed to accrue on such Bonds during such Bond Year if the interest on the Current Interest Bonds of such series were deemed to accrue daily during such year in equal amounts; provided, however, that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid from the proceeds of Bonds or from investment (but not reinvestment) thereof (other than proceeds and investment earnings on deposit in the Reserve Subfund) if such proceeds shall have been invested in Defeasance Obligations and to the extent such earnings may be determined precisely. The County may provide in a Supplemental Trust Agreement that interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds be included in the determination of Interest Requirement. If interest is not payable at a single numerical rate for the entire term of such

Bonds, then “Interest Requirement” shall have the appropriate meaning assigned thereto by the applicable Supplemental Trust Agreement permitted by the Trust Agreement.

“Investment Obligations” means Government Obligations and, to the extent from time to time permitted by the laws of the State, (a) interest-bearing demand or time deposits (including bonds of deposit) in a federal- or State-chartered savings and loan association or in a federal or State bank (including the Trustee), provided that (i) such deposits are fully insured by the Federal Deposit Insurance Corporation, or (ii) such deposits are fully secured by Government Obligations which are in the possession of the Trustee; (b) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances, which have a maturity of not more than 365 days and which are eligible for purchase by the Federal Reserve System and the obligations of which commercial bank or the obligations of the holding company of which carry one of the three highest rating categories by Fitch, Moody’s or S&P; (c) (i) obligations issued by any state, or the District of Columbia, or any political subdivision thereof, and any possession of the United States or any political subdivision thereof, the interest on which is excluded from the gross income of the owner thereof for Federal income tax purposes which has a short term credit rating of A-1 (or the equivalent thereof) or better or a long term credit rating of A+ (or the equivalent thereof) or better by Fitch, Moody’s or S&P, or (ii) interests in money market funds or money market accounts (including those of the Trustee) which are rated “AAAm” (or the equivalent thereof) or “AAAm-G” (or the equivalent thereof) by Fitch, Moody’s or S&P; or (d) any other investments which, at the time of investment, constitute legal investments under the laws of the State for the moneys proposed to be invested therein. Any investment in a repurchase agreement shall be considered to mature on the date the bank or trust company providing the repurchase agreement is obligated to repurchase the Investment Obligations. Any investment in obligations described above may be made in the form of an entry made on the records of the issuer of the particular obligation.

“Metrorail Parking Project Fund” means the discrete fund of the County created by the Trust Agreement for the Projects.

“Optional Tender Indebtedness” means any portion of Indebtedness incurred under the Trust Agreement a feature of which is an option on the part of the Holders of such Indebtedness to tender to the County or to any Trustee, Paying Agent or other fiduciary for such Holders, or to an agent of any of the foregoing, all or a portion of such Indebtedness for payment or purchase.

“Outstanding” means all Bonds that have been authenticated and delivered by the Bond Registrar under the Trust Agreement, except:

(i) Bonds paid or redeemed or delivered to or acquired by the Bond Registrar for cancellation;

(ii) Bonds for which the Bond Registrar or any Trustee or Paying Agent shall hold sufficient moneys or Government Obligations the principal of and the interest on which, when due and payable, will provide sufficient moneys to pay the principal of, and the interest and redemption premium, if any, on such Bonds to their maturity date or dates or dates fixed for Sinking Fund Redemption or to the date or dates fixed for their optional redemption; provided,

however, that for Variable Rate Indebtedness, the County may provide in a Supplemental Trust Agreement adopted prior to the issuance of such Variable Rate Indebtedness for a method of calculating the, or for a maximum assumed, rate of interest to be taken into account in determining the sufficiency of such moneys or Government Obligations; and

(iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Trust Agreement;

provided, however, that in determining whether the Holders of the requisite principal amount of outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Trust Agreement, Bonds owned by the County or any other obligor upon the Bonds shall be disregarded and deemed not to be outstanding, except that the term “obligor upon the Bonds” shall not include any Insurer or any Credit Bank and except that, in determining whether the Bond Registrar shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds that the Bond Registrar knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Bond Registrar the pledgee’s right so to act with respect to such Bonds and that the pledgee is not the County or any other obligor upon the Bonds except a Credit Bank or an Insurer.

“Parity Indebtedness” means any Indebtedness incurred in accordance with the Trust Agreement and payable on a parity with the Principal and Interest Requirements of Bonds issued under the provisions of the Trust Agreement. Parity Indebtedness does not include Bonds.

“Paying Agent” means, for any series of Bonds, the paying agent or tender agent designated as such and performing the duties set forth in a Supplemental Trust Agreement.

“[P]erson” means and includes an association, unincorporated organization, a corporation, a partnership, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity or a natural person.

“Pledged Revenues” means (a) all payments of Basic Rent, (b) all payments of Additional Rent pursuant to the Facility Lease Agreements, (c) all payments of surplus net proceeds of insurance or surplus net proceeds of condemnation or surplus net proceeds of title insurance pursuant to the Facility Lease Agreements and all Contributions to Project Cost pursuant to the Facility Lease Agreements, (d) any proceeds of title, use and occupancy or business interruption insurance paid to or for the account of the County and (e) the income from the investment under the provisions of the Trust Agreement of the moneys held for the credit of the various subfunds and accounts created under the Trust Agreement, net of such amounts as the County Representative, with the prior written approval of the WMATA Representative, shall direct the Trustee to set aside for transfers to the Improvement Subfund. Pledged Revenues shall not include Excess Earnings. Pledged Revenues shall not include the proceeds of any insurance, other than as mentioned above, or any capital gifts, grants, donations or contributions or borrowed funds. Payments by any Insurer or Credit Bank with respect to debt service on the Bonds or any Parity Indebtedness shall not constitute Pledged Revenues. Any lump sum payment or prepayment received by the Trustee and not accompanied by instructions from the County Representative to the contrary shall be reserved by the Trustee in a special account in the

Improvement Subfund, disbursed to the Debt Service Subfund, and recognized as Pledged Revenues, semi-annually over the appropriate accrual period; provided, however, that if the County Representative shall direct, such lump sum payment or prepayment shall be applied to the redemption or defeasance of the Bonds in accordance with such direction.

“Predecessor Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond.

“Principal” means (i) with respect to the principal amount of any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in the Trust Agreement in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default, which cases “principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Holders of the requisite principal amount of Bonds then outstanding have given any request, demand, authorization, direction, notice, consent or waiver, “principal” means the Accreted Amount and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal and Interest Requirements” for any Bond Year means the sum of the Principal Requirement and the Interest Requirement for such Year.

“Principal Payment Date” means a June 1 upon which the principal of any Bond is stated to mature or upon which the principal of any Term Bond is subject to sinking fund redemption; provided, however, Principal Payment Date may mean, if so provided by a Supplemental Trust Agreement, such other date or dates as may be provided thereby or permitted therein.

“Principal Requirement” means for any Bond Year, as applied to the Bonds of a series, if and to the extent for such series of Bonds, a Principal Payment Date or Dates shall occur on June 2 or thereafter during such Bond Year or on June 1 of the next succeeding Bond Year (each, an “applicable Principal Payment Date”), then beginning

(x) on the preceding Principal Payment Date, if any, that occurs one year or less before each Applicable Principal Payment Date, or

(y) one year prior to each Applicable Principal Payment Date if there is no prior Principal Payment Date or if the preceding Principal Payment Date is more than one year prior to the Applicable Principal Payment Date;

the total of the sums that would be deemed to accrue on such Bonds during such Bond Year if

(i) the principal of the Current Interest Bonds of such series, as of the Applicable Principal Payment Date, were deemed to accrue daily during such

Year in equal amounts, to but not including the applicable Principal Payment Dates and

(ii) the Accreted Amount of the Capital Appreciation Bonds of such series, as of the Applicable Principal Payment Date, were deemed to accrue daily during such Year in equal amounts to but not including the .Applicable Principal Payment Date.

“Purchase Price” means the purchase price established in any Supplemental Trust Agreement for Optional Tender Indebtedness as the purchase price to be paid for such Indebtedness upon an optional or mandatory tender of all or a portion of such Indebtedness.

“Rebate Liability” means the amount or amounts periodically determined by an Accountant selected by the County Representative, to be paid to the United States of America pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended.

“Redemption Price” means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms and the Trust Agreement.

“Regular Record Date” means, for each series of Bonds, the record date or dates established for the Bonds of such series in a Supplemental Trust Agreement.

“Reserve Subfund” means the Metrorail Parking Project Debt Service Reserve Subfund created and so designated by the Trust Agreement.

“Reserve Subfund Insurance Policy” means an insurance policy or surety bond or irrevocable letter of credit or guaranty deposited in the Reserve Subfund in lieu of or in partial substitution for cash on deposit or to be deposited therein. Such Reserve Subfund Insurance Policy shall be payable (upon the giving of notice as required thereunder) on any Interest or Principal Payment Date (for the series of Bonds in respect of which it was deposited) on which a deficiency exists in the Debt Service Subfund. The issuer providing such Reserve Subfund Insurance Policy shall be (A) an insurer that has been assigned for bonds insured by the issuer of such Policy, ratings by Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, Inc. (or any two of the three if the third such rating agency does not provide a rating) in one of two highest rating categories (without regard to gradations, such as “plus” or “minus” or numerical modifiers, of such categories) or (B) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have been assigned ratings by Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. and Fitch Ratings, Inc. (or any two of the three if the third such rating agency does not provide a rating) in one of the two highest rating categories (without regard to gradations such as “plus” or “minus” or numerical modifiers).

“Reserve Subfund Requirement” as to each series of Bonds means, as of any date of calculation, an amount of money, securities or Reserve Subfund Insurance Policy equal to the least of (i) the maximum Principal and Interest Requirements for any Bond Year, (ii) 125% of the average annual Principal and Interest Requirements for any Bond Year and (iii) ten percent (10%) of the stated principal amount of the Bonds of such series: provided, however, that if the Bonds have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters’ compensation, the initial offering prices to the public shall be used in lieu of the stated principal amount for purposes of the 10% limitation.

The Reserve Subfund Requirement in respect of any Bonds that constitute Variable Rate Indebtedness be determined in accordance with a Supplemental Trust Agreement.

In connection with the Bonds constituting Optional Tender Indebtedness, the date or dates on which the Holders thereof may at their option tender such Bonds for payment or purchase shall be disregarded.

In the event the County determines to provide for deposits to a separate account within the Reserve Subfund in respect of any Parity Indebtedness, the term “Reserve Subfund Requirement” may be amended to include such additional deposits.

“Securities Depository” means The Depository Trust Company, New York, New York or other recognized securities depository selected by the County, which maintains a book-entry system in respect of the Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Registrar the Bond certificates to be delivered and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

“Serial Bonds” means the Bonds that are stated to mature in consecutive annual installments and that are so designated in a Supplemental Trust Agreement.

“Sinking Fund Requirement” means, with respect to Term Bonds of each maturity, the principal amount fixed or computed for the retirement of such Term Bonds by purchase or redemption, as contemplated in the Trust Agreement.

“Special Record Date” for the payment of any Defaulted Interest on Bonds means a date fixed by a Trustee or by the Bond Registrar pursuant to the Trust Agreement.

“State” means the State of Maryland.

“Supplemental Trust Agreement” means an amendment or supplement, executed by the County and the Trustee, to the Trust Agreement, and in conformity with the provisions of the

Trust Agreement, providing for the issuance of a series of Bonds or for the incurrence of Parity Indebtedness and setting forth the provisions and details thereof not inconsistent with the Trust Agreement including any amendments and supplements thereto permitted by the Trust Agreement and any other such agreement permitted by the Trust Agreement.

“Surcharge Reserve Account” means the Surcharge Reserve Account established and maintained under the Amended and Restated Surcharge Implementation Agreement, dated December 16, 1999, between WMATA and the County.

“Term Bonds” means all or some of the Bonds of a series, other than Serial Bonds, stated to be payable by their terms on one or more dates and so designated in a Supplemental Trust Agreement.

“Trust Agreement” means the Trust Agreement, authorizing the Series 2002 Bonds and providing for the issuance of series of Additional and Refunding Bonds, as supplemented and amended as permitted thereby.

“Trust Agreement Expenses” means those fees and expenses of the Trustee contemplated by the Trust Agreement and the fees and expenses of any Paying Agent and the Bond Registrar that shall be approved in writing by the County Representative.

“Trustee” means the trustee at the time acting as such under the Trust Agreement whether the original or a successor trustee.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which is not established at the time of incurrence of such Indebtedness at a single numerical rate for the entire term of such Indebtedness.

“WMATA Representative” means each of the persons at the time designated to act on behalf of WMATA in a written certificate furnished to the Trustee, any Paying Agent and the Bond Registrar, which certificate shall contain the specimen signature(s) of such person(s) and shall be executed on behalf of WMATA by its Chief Executive Officer.

Granting Clause

The County (a) assigns all rights, title and interest of the County in and to the Facility Lease Agreements, including without limitation, its rights to receive Contributions to Project Cost and Basic Rent, and (b) pledges the payments of Basic Rent and Additional Rent received pursuant to the Facility Lease Agreements, and all payments made by the County under the Project Agreements in the event of a deficiency in the Debt Service Reserve Subfund, all moneys and securities in the Debt Service Subfund and Debt Service Reserve Subfund (other than Excess Earnings), and until applied in payment of any Cost of the Projects or otherwise applied as permitted under the Trust Agreement, all moneys and securities (other than Excess Earnings) in the Construction Subfund to the Trustee, and unto its successors and assigns, in trust, forever.

Additional Bonds (Section 209)

Additional Bonds may be issued for the purpose of completing payment of the Cost of the Projects or paying all or any part of the cost of repairing or restoring the Projects. Such Bonds may be issued as Current Interest Bonds, Capital Appreciation Bonds, Term Bonds, Serial Bonds, Variable Rate Indebtedness, Optional Tender Indebtedness or any combination thereof. Except as to any Credit Facility, policy issued by an Insurer or Reserve Subfund Insurance Policy and any differences in the maturities, interest rates, redemption or purchase provisions or use of moneys in various accounts in the Reserve Subfund or Debt Service Subfund, Additional Bonds shall be on a parity with the benefits and security of Bonds issued under the Trust Agreement.

Prior to authenticating and delivering any Additional Bonds, the Bond Registrar must receive, among other documents, the following: a certified copy of a Supplemental Trust Agreement or Agreements; a statement signed by an Engineer giving an estimate of the Completion Date and certifying his estimate that the proceeds of the Additional Bonds will be sufficient to pay the Cost of completing, repairing or restoring the respective Project; an opinion of the County's counsel that the Supplemental Trust Agreement is duly and validly authorized and no provision constitutes a default under any agreement, indenture or other instrument to which the County is a party and by which the County is or may be bound; and supplements or amendments to the respective Project Agreement and respective Facility Lease Agreement as may be appropriate to evidence the ability of the County or WMATA to pay amounts equal to the Principal and Interest Requirements on the Additional Bonds pursuant to the respective Project Agreement, and as Basic Rent, respectively.

In case of the following described Indebtedness or Additional Bonds, the foregoing requirements and provisions respecting the issuance thereof shall be modified as follows:

(A) *Optional Tender Indebtedness.* With respect to any Optional Tender Indebtedness or Parity Indebtedness then outstanding or proposed to be issued, for purposes of determining the Principal and Interest Requirements, the options of the owners of such Indebtedness to tender the same for payment prior to their stated maturity or maturities shall be ignored. No Bonds or Parity Indebtedness shall be issued or converted to Optional Tender Indebtedness unless (x) such Additional Bonds shall have been rated in one of the three highest rating categories (without reference to gradations of such categories such as "plus" or "minus" or numerical modifiers) by either Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or Fitch Ratings, Inc. and (y) any obligation the County may have, other than its obligation on such Indebtedness, to reimburse any Credit Bank or Insurer shall be subordinated to the obligation of the County on the Bonds and shall be payable (i) in accordance with the provisions of the Trust Agreement concerning the application of moneys in the improvement Subfund for paying obligations associated with Variable Rate Indebtedness in excess of amounts payable with respect thereto from the Debt Service Subfund or (ii) from funds not constituting Pledged Revenues of the County.

(B) *Variable Rate Indebtedness.* With respect to any Variable Rate Indebtedness or Parity Indebtedness then outstanding or proposed to be issued, for purposes of determining the

Principal and Interest Requirements, the interest rate used in such computation shall be the maximum interest rate payable by the County on such Variable Rate Indebtedness. The conversion of Variable Rate Indebtedness to bear interest at a fixed rate, in accordance with its terms, shall not constitute a new issuance of Bonds under the Trust Agreement.

The proceeds (excluding accrued interest) of such Additional Bonds shall be deposited with the Trustee as follows: to the credit of a special account, an amount equal to the costs of issuance of such Additional Bonds; to the credit of the Debt Service Subfund an amount equal to accrued interest, if any; to the credit of the Reserve Subfund, such amount as may be required to make the amount then to the credit of the Reserve Subfund equal to the Reserve Subfund Requirement for all Bonds outstanding and for Additional Bonds; and to the credit of the Construction Subfund the balance of the proceeds for the purpose of paying the remaining Cost of the respective Project.

Refunding Bonds (Section 210)

Series of Refunding Bonds of the County (herein called "Refunding Bonds") may be issued for the purpose of providing funds, with any other available funds, for refunding all or any part of the outstanding Indebtedness, including paying any redemption premium and interest to accrue thereon to the date fixed for their redemption or payment and any expenses in connection with such refunding. Except as to any Credit Facility, policy issued by an Insurer or Reserve Subfund Insurance Policy in respect of such Bonds and any difference in the maturities, interest rates, redemption provisions or use of moneys in various accounts in the Reserve Subfund or Debt Service Subfund, Refunding Bonds shall be on a parity with and be entitled to the same benefits and security as any other Bonds issued under the Trust Agreement.

The County shall not deliver such Bonds unless (a) in the determination of an Accountant, the proceeds (excluding accrued interest) of such Refunding Bonds and any other money deposited or to be deposited with the Trustee for such purpose, and the interest that shall accrue upon any Defeasance Obligations acquired as set forth below shall not be less than an amount sufficient to pay the principal and the redemption premium, if any, of the Indebtedness to be refunded and the interest which will accrue thereon to the respective redemption and maturity dates, and the expenses incident to such refunding and (b) during the years in which any of the Bonds and Parity Indebtedness not so refunded are outstanding, the maximum Debt Service Requirements on account of all Bonds and Parity Indebtedness outstanding, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Indebtedness, to be refunded, shall not exceed the maximum Debt Service Requirements for any such Bond Year on account of all the Bonds and Parity Indebtedness outstanding, including the Indebtedness to be refunded, immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing test, if any of the Bonds or Parity Indebtedness outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued constitute Optional Tender Indebtedness or Variable Rate Indebtedness, the conventions employed in paragraphs (A) and (B) above under the caption "Additional Bonds" respectively, shall be applied in determining the Debt Service Requirements of such Bonds or Parity Indebtedness and the Principal and Interest Requirements of the Refunding Bonds to be issued.

Simultaneously with the delivery of such Refunding Bonds or the determination that the refunded Bonds are no longer outstanding, the County shall apply the proceeds of the Refunding Bonds as follows: (a) the estimated amount of the cost of issuing such Refunding Bonds shall be paid to the Trustee for deposit to a separate account, (b) the accrued interest shall be paid to the Trustee for deposit to the Debt Service Subfund, (c) an amount that, together with the interest that shall accrue on Defeasance Obligations mentioned below, sufficient to pay the principal, redemption premium, if any, and interest on the Bonds to be refunded will be paid to the Trustee for deposit to a special account held in trust by the Trustee to be invested and reinvested in Defeasance Obligations, (d) an amount shall be paid to the Trustee and deposited in any account established in the Reserve Subfund pursuant to the Trust Agreement and (e) the balance of such proceeds to be paid to the Trustee for deposit to the Debt Service Subfund. If the Trustee determines that the balance in any Subfund or account created pursuant to the Trust Agreement exceeds the amount required to be on deposit after issuance of the Refunding Bonds, the excess will be transferred to the Debt Service Subfund.

Construction Subfund (Article IV)

The Trust Agreement establishes a Construction Subfund to be held in trust by the Trustee. A separate account for each Project and for each series of Series 2002 Bonds or Additional Bonds may be established, in which case the provisions of the Trust Agreement will apply to each such account as though it were the entire Construction Subfund. The moneys in the Construction Subfund will be applied to the payment of the Cost of the Projects and will be subject to a lien and charge in favor of the Holders of the Bonds issued until paid out or transferred as provided in the Trust Agreement. (Section 401)

Payments of the Cost of the Projects will be made from the Construction Subfund. All payments from the Construction Subfund will be made only upon proper requisition to pay such Costs or for costs associated with the issuance of the applicable series of Bonds. (Section 402, 403)

Disposition of Costs of Issuance Account Balances; Completion of the Projects and Disposition of Construction Subfund Balances. Any funds remaining within a Costs of Issuance Account established in connection with the issuance of Initial or Additional Bonds will, six months from the date at issuance of the applicable series of Bonds, be transferred within the Construction Subfund to the Construction Account pertaining to such series of Bonds. Any funds remaining within a Costs of Issuance Account established in connection with Refunding Bonds will, six months from the date of issuance of such Refunding Bonds, be transferred to the Debt Service Subfund.

When a Project shall have been completed, which fact shall be evidenced to the County by a certificate of the Engineer, setting forth the date of such completion and also stating that requisitions have been made for the payment of all obligations that are payable from the Construction Subfund (the "Completion Date"), delivered to the County, the balance in the Construction Subfund not reserved by WMATA for the payment of any remaining part of the Cost of the Project completed and not required to be transferred to the Excess Earnings Account

will be transferred to the Debt Service Subfund for the payment, purchase or redemption of Bonds in accordance with the provisions of the Trust Agreement. Such transfer will be accompanied by an opinion of counsel nationally recognized as expert in tax matters relating to obligations of states and their political subdivisions to the effect that such proposed application of such balance will not adversely affect the federal income tax treatment of interest on the Bonds or on any of them. (Section 404)

Transfer of Excess Earnings to Excess Earnings Account in the Improvement Subfund. With respect to each applicable series of Bonds, the Trustee will immediately upon receipt transfer the Excess Earnings in each account in the Construction Subfund resulting from the proceeds of such series of Bonds to the Excess Earnings Account established under the Improvement Subfund. (Section 405)

Contribution to Project Cost Account. The Trust Agreement establishes within the Construction Subfund a special account designated the "Contribution to Project Cost Account". All amounts received by the Trustee from WMATA as Contributions to Project Cost (as defined in the Facility Lease Agreements) will be deposited to such account and transferred immediately to the Debt Service Subfund for the purpose of paying Costs of the Project that consist of interest accruing on the Bonds during the construction of the respective Project.

Flow of Funds (Section 502)

The Trust Agreement establishes a Lease Revenue Bond Debt Service Subfund (the "Debt Service Subfund"), a Lease Revenue Bond Debt Service Reserve Subfund (the "Reserve Subfund") and the Lease Revenue Bond Improvement Subfund (the "Improvement Subfund") which includes the Excess Earnings Account and the Title Insurance Proceeds Account. The moneys in each of said Subfunds shall be held in trust by the Trustee.

Semi-annually, on each Deposit Day, the Trustee will, from moneys in the Debt Service Subfund:

(a) *first*, set aside in the Debt Service Subfund, after taking into account any accrued interest and transfers from the Construction Subfund and from the Reserve Subfund, the sum of (i) the accrued Interest Requirement, (ii) the accrued Principal Requirement and (iii) the amount of the Debt Service Requirements for Parity Indebtedness to ensure the timely payment of such Indebtedness;

(b) *second*, set aside in the Reserve Subfund an amount equal to the current Reserve Subfund Requirement; and

(c) *third*, deposit to the Improvement Subfund the balance of such Pledged Revenues.

If there is to the credit of the Debt Service Subfund or the Reserve Subfund on a Deposit Day the amount required to be on deposit, no further deposit into such Subfund is required under clauses (a) and (b) above.

If on an Interest Payment Date or a Principal Payment Date moneys to the credit of the Debt Service Subfund are insufficient to pay the principal and interest due, the Trustee will transfer from the Improvement Subfund an amount equal to the Deficiency in the Debt Service Subfund.

Any payments received by the Trustee from the County in accordance with either Project Agreement, will be deposited in the Reserve Subfund.

All payments of Additional Rent received by the Trustee from WMATA in accordance with the Facility Lease Agreements and any other moneys received by the Trustee pursuant to the Project Agreements (other than moneys received from the County in the event of a deficiency in the Subfund) or the Facility Lease Agreements (other than Pledged Revenues and amounts received for defeasing the Trust Agreement in certain circumstances where a Project is destroyed, condemned or a loss of title occurs) shall be deposited in the Improvement Subfund.

Reserve Subfund (Section 5.04)

Moneys in the Reserve Subfund will be subject to a lien and charge in favor of the Holders.

Not later than each Interest Payment Date for the Bonds then outstanding, the Trustee will transfer from the Reserve Subfund to the Debt Service Subfund (a) if such Interest Payment Date is not a Principal Payment Date, an amount which will increase the amount in the Debt Service Subfund to the amount of interest scheduled to become due on such date or (b) if such interest Payment Date is also a Principal Payment Date, an amount which will increase the amount in the Debt Service Subfund to an amount equal to the sum of the interest due, the aggregate principal amount of the Serial Bonds due and the amount of the Sinking Fund Requirement for the Term Bonds. If the amount transferred from the Reserve Subfund to the Debt Service Subfund pursuant to the foregoing described provisions is less than the amount required to be transferred under such provisions, any amount thereafter deposited to the credit of the Reserve Subfund will be immediately transferred to the Debt Service Subfund as, and to the extent, required to make up any such deficiency.

Whenever the amount on deposit in the Reserve Subfund is less than the Reserve Subfund Requirement, the Trustee will notify the County of the amount of the deficiency. Upon notification, the County immediately will deliver to the Trustee the amount of such deficiency, drawing upon funds (i) first, pursuant to the Facility Lease Agreements, (ii) second, from the Improvement Subfund and (iii) third, pursuant to the Project Agreements. (Section 504)

With respect to each applicable series of Bonds, the Excess Earnings in the Reserve Subfund will be transferred immediately upon receipt to the Excess Earnings Account in the Improvement Subfund to the extent that such Excess Earnings exceed the Reserve Subfund Requirement.

Various Subfunds and Accounts (Article V)

Debt Service Subfund. Moneys in the Debt Service Subfund will be used for the payment of Parity Indebtedness and the principal of, premium, if any, and interest on the Bonds. On each Interest Payment Date, the Trustee will withdraw and transfer from such moneys to the Bond Registrar or Paying Agent who will remit to the registered owner the amounts required for paying the interest on such Bonds. On each Principal Payment Date, the Trustee will withdraw and transfer from such moneys to the Bond Registrar or Paying Agent the amounts required for paying the principal of and premium, if any, on the Bonds. (Section 503)

All Pledged Revenues received by the Trustee will be deposited in the Debt Service Subfund and will be subject to a lien and charge in favor of the Holders. (Section 502)

Improvement Subfund. Money held for the credit of the Improvement Subfund will be set aside and disbursed by the Trustee in accordance with written instructions of a County Representative for the following purposes and, except as otherwise set forth in the Trust Agreement, in the following order of priority: (i) for paying the County's Rebate Liability; (ii) for paying Trust Agreement Expenses; (iii) for transfer and deposit to the Debt Service Subfund; (iv) for transfer and deposit to the Reserve Subfund; (v) for paying obligations associated with Variable Rate Indebtedness; (vi) for paying or discharging any other County Liabilities not otherwise paid or provided for; (vii) for repaying the County for moneys paid by it under the Project Agreements in the event of a deficiency in the Reserve Subfund; and (viii) for paying for repairs or maintenance of the Projects in accordance with the Facility Lease Agreements.

WMATA may request the County, which request will not be unreasonably denied, to direct the Trustee to disburse money for the purposes enumerated in clause (viii) above, subject to the County's sole discretion to withhold such direction if, in the judgment of the County, such funds are necessary for the payment of items specified in clauses (i) through (vii) above.

In addition, there is created within the Improvement Subfund, a separate "Excess Earnings Account". For each applicable series of Bonds there are created two subaccounts within the Excess Earnings Account. One subaccount is entitled the "Construction Subfund Excess Earnings Tracking Subaccount". The other subaccount is entitled the "Reserve Subfund Excess Earnings Tracking Subaccount". Excess Earnings transferred from the Construction Subfund will be deposited in the Construction Subfund Excess Earnings Tracking Subaccount. Excess Earnings transferred from the Reserve Subfund will be deposited in the Reserve Subfund Excess Earnings Tracking Subaccount. Rebate Liability for an applicable series of Bonds will first be paid from the subaccounts in the Excess Earnings Account applicable to such series. If such moneys are insufficient for paying the Rebate Liability of such series, then the Rebate Liability will be paid from any other moneys in the improvement Subfund.

If the Trustee receives a certificate of a County Representative stating that sufficient moneys will remain available in the Excess Earnings Account to pay any anticipated Rebate Liability with respect to the Bonds taking into account the applicable proposed requisition or disbursement of moneys from the Excess Earnings Account, then, subject to the provisions specified below, moneys in the Excess Earnings Account may be applied to (i) the Cost of the

Project or to (2) any of the purposes enumerated in clauses (ii) through (viii) above in the third preceding paragraph provided that the application of moneys, for any purpose in clause (2) requires an opinion of nationally recognized bond counsel to be delivered to the Trustee stating that such proposed use will not adversely affect the Federal income tax treatment of interest on the Bonds.

Moneys in the Construction Subfund Excess Earnings Tracking Subaccount may at any time, subject to the Trustee's receipt of written instructions and the certificate described in the preceding paragraph from a County Representative, be requisitioned by the WMATA Representative for paying or reimbursing WMATA for paying the Cost of the Projects if as of the date of such proposed requisition (I) no proceeds in the Construction Account for such series of Bonds are in the Construction Subfund and (II) the WMATA Representative delivers an officer certificate, in form and substance satisfactory to the Trustee showing, as of the date of such proposed requisition (i) the dates and amounts of prior expenditures made by WMATA for the Cost of the Projects, (ii) the dates and amounts of the anticipated future requisitions to be made by WMATA for the Cost of the Projects and (iii) any other information that the Trustee may request that may be useful for determining whether any Spending Exception to the Rebate Requirement may be met with respect to the applicable series of Bonds.

Subject to the Trustee's receipt of written instructions and the certificate described in the second preceding paragraph from a County Representative, WMATA may at any time requisition moneys from the Reserve Subfund Excess Earnings Tracking Subaccount for paying or reimbursing WMATA for paying the Cost of the Projects if as of the date of such proposed requisition (I) no proceeds in the Construction Account for such series of Bonds are in the Construction Subfund or the Construction Subfund Excess Earnings Tracking Subaccount and a certificate analogous to that specified in clause II of the above paragraph is delivered.

Investments (Section 602)

Moneys held for the credit of the Improvement Subfund and Construction Subfund will, as nearly as may be practicable, be invested and reinvested in Investment Obligations, that shall mature, or that shall be subject to redemption at the option of the holder thereof, at the times required and not in any event in the case of the Construction Subfund later than the date, estimated by the Engineer on the Closing Date, to be the Completion Date. Pending final disposition thereof, any moneys held for the credit of the Construction Subfund at the Completion Date or thereafter will, as nearly as may be practicable, be invested and reinvested in Investment Obligations that shall mature, or shall be redeemed at the holder's option, not later than one year after the date of such investment.

Moneys held for the credit of the Debt Service Subfund will, as nearly as may be practicable, be invested and reinvested in Investment Obligations that shall mature, or shall be redeemed at, not later than the respective dates when moneys held for the credit of said Subfund will be required.

Moneys held for the credit of the Reserve Subfund will be invested and reinvested to the extent permitted by law in Government Obligations that shall mature, or shall be redeemed at the

holder's option, not later than ten years; provided, however, if the Trustee withdraws moneys in the Reserve Subfund to an amount less than the Reserve Subfund Requirement, all moneys in the Reserve Subfund shall be invested in Investment Obligations that shall mature, or shall be redeemed at the holder's option, not later than the next Interest Payment Date.

Valuation (Section 603)

For the purpose of determining the amount on deposit to the credit of any Subfund or account, obligations in which money in such Subfund or account shall have been invested will be valued at amortized cost if the average weighted life of the investments is five years or less, or if more than five years, at the market value or the amortized cost thereof, whichever is lower.

The Trustee will value the Investment Obligations in the Subfunds and accounts held by it at least once in every Bond Year and report such balances to WMATA and the County. In addition, the Investment Obligations will be valued by the Trustee at any time requested by a County Representative or WMATA Representative on reasonable notice (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee shall not be required to value Investment Obligations more than once in any calendar month.

If, upon valuation, the balance in the Reserve Subfund is less than the Reserve Subfund Requirement, the Trustee will immediately give the County notice of such deficiency and of the amount necessary to cure the same.

Certain Covenants of the County (Article VII)

Payment of Principal, Interest and Premium. The County covenants to pay, when due, the principal of, the premium, if any, and the interest on the Bonds at the places, on the dates and in the manner provided in the Trust Agreement. The Bonds are payable solely from Pledged Revenues derived by the County from the Facility Lease Agreements and other moneys pledged under the Trust Agreement. (Section 701)

Covenants to Perform. The County covenants to perform at all times all of its covenants, undertakings and agreements contained in the Trust Agreement and in any Bond executed, authenticated and delivered under the Trust Agreement. (Section 702)

Covenants with Credit Banks, Insurers, etc. The County may covenant with any Insurer, Credit Bank or other financial institution to insure or to provide for Bonds of any one or more series credit- or liquidity-support that shall enhance the security or value of such Bonds. (Section 703)

Covenant to Employ an Engineer. The County covenants that it will, for the purpose of performing or carrying out the duties imposed on the Engineer by the Trust Agreement, cause WMATA to employ or designate one or more engineers having skill and experience in such work. (Section 704)

Limitations on Parity Indebtedness. The County may incur and refund Parity Indebtedness provided that it meets the requirements for the issuance of Additional Bonds or Refunding Bonds set forth in the Trust Agreement. (Section 705)

Request of County to Appropriate. In the event that the Trustee shall make a withdrawal from the Reserve Subfund, and the amount to the credit of the Reserve Subfund shall be less than the Reserve Subfund Requirement and the Trustee shall notify the County of such withdrawal, the County covenants that it shall comply with the provisions of each Project Agreement to request an appropriation of funds to replenish the Reserve Fund. (Section 707)

Defaults and Remedies (Article VIII)

The Trust Agreement defines “Event of Default” to include failure to pay principal of and redemption premium, if any, on any Bonds or Parity Indebtedness when due, or the failure to pay any installment of interest on any Bonds or Parity Indebtedness. Events of Default also include (i) certain events of bankruptcy, insolvency, or receivership involving the County and (ii) the County’s default in the punctual performance of any of the covenants, conditions, agreements, or provisions contained in the Bonds or the Trust Agreement remaining unremedied for 90 days after notice to the County. No Event of Default under the provisions described in clause (ii) will occur so long as the County is in good faith acting to remedy the failure and such failure is curable by such remedial action. The County is not liable for an Event of Default caused by acts of God, strikes, military disturbances, explosions, fire, storms, droughts or other events not reasonably foreseeable. (Section 801)

Upon the happening and continuance of any Event of Default, relating to payment defaults with respect to Bonds or any Parity Indebtedness specified above, the Trustee may, and upon the written request of the Holders of not less than a majority in the aggregate principal amount of Bonds then outstanding, shall declare the principal of all of the Bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration of the same shall become and be immediately due and payable, subject to the right of the County to cure such default as provided in the Trust Agreement. (Section 802)

The Holders of a majority in aggregate principal amount of the Bonds then outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken under the Trust Agreement, provided that such direction shall be in accordance with law and the provisions of the Trust Agreement. (Section 806)

Until the County has reimbursed a Credit Bank or any Insurer for amounts paid under a Credit Facility or under an insurance policy to pay the interest on or the principal of any Bonds, such Bonds shall be deemed to be outstanding and such Credit Bank or Insurer shall succeed to the rights and interests of the Holders to the extent of the amounts paid under the Credit Facility or as specified in the applicable insurance policy, until such amount has been reimbursed. (Section 813) .

Supplemental Trust Agreements (Article XI)

The County may enter into supplements to the Trust Agreement that are not inconsistent with the terms and provisions of the Trust Agreement (a) to cure any ambiguity or formal defect or omission in the Trust Agreement or to correct or supplement any provision that may be inconsistent with any other provision therein or (b) to grant or confer upon the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders, or (c) to add to the conditions, limitations and restrictions to be observed by the County under the Trust Agreement, or (d) to add to the covenants and agreements of the County in the Trust Agreement other covenants and agreements thereafter to be observed by the County or to surrender any right or power reserved to or conferred upon the County in the Trust Agreement, or (e) to provide for the issuance of Additional and Refunding Bonds and to provide for such other related matters as may be required or contemplated by or appropriate under the Trust Agreement, or (f) to make any changes that may be required by Moody's Investor's Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Fitch Ratings, Inc. or their successors or (g) to make any other change that, in the judgment of the County, would not materially adversely affect the interests of the Holders of the Bonds. (Section 1101)

All other supplemental agreements require the written consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding that will be affected by a proposed supplement to the Trust Agreement; provided, however, that no supplemental agreement may permit (a) an extension of the maturity of the principal of or the interest on any Bond or (b) a reduction in the principal amount of any Bonds or the redemption premium or the rate of interest thereon, or (c) the creation of alien upon or a pledge of moneys credited to the Debt Service Subfund, Reserve Subfund or Construction Subfund other than the pledge and lien created by the Trust Agreement or (d) a preference or priority of any Bonds over any other Bonds or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental agreement. (Section 1102)

Supplements and Amendments to the Ground Leases, Facility Leases and Project Agreements (Article XII)

The County may enter into supplements to the Ground Lease Agreements, the Facility Lease Agreements and the Project Agreements that, in the judgment of the County, would not materially adversely affect the interests of the Holders after 30 days' prior notice to, but without the consent of the Trustee. From time to time and at any time, the County may enter into other supplements and amendments to such Agreements, and the Trustee may consent to such amendments and supplements to such Agreements, that in the judgment of the County, would not materially adversely affect the interests of the Holders (a) to cure any ambiguity or formal defect or omission in the Ground Lease Agreements, the Facility Lease Agreements and the Project Agreements, or (b) to grant or confer upon the County or the Trustee, for the benefit of the Holders, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders, the County or the Trustee, or (c) to make any other change in the Ground Lease Agreements, the Facility Lease Agreements and the Project Agreements (provided only that no such change shall be made to the covenant of the County in

the Project Agreements to appropriate moneys in the event of a deficiency in the Reserve Subfund) that would, in the judgment of the County, materially adversely affect the interests of the Holders.

All other supplements or amendments to the Ground Lease Agreements, Facility Lease Agreements or Project Agreements require the written consent of the Holders of more than a majority in aggregate principal amounts of Bonds then outstanding in the same manner of consent and approval as specified in the section entitled “Supplemental Trust Agreements” above.

Defeasance (Article XIII)

Any outstanding Bonds shall be deemed to have been paid for the purposes of the Trust Agreement when, among other things, (i) there shall have been deposited with the Trustee either moneys in an amount, or Defeasance Obligations, the principal of and interest on which when due, will provide moneys in an amount which shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds then outstanding on or prior to the redemption date or maturity date thereof, as the case may be, (ii) in case said Bonds have been selected for redemption in accordance with the provisions of the Trust Agreement prior to their maturity. The County shall have given to the Trustee irrevocable instructions to give notice of redemption of such Bonds and (iii) satisfactory provisions shall have been made for the payment of all fees and expenses payable by the County in connection with the defeasance of said Indebtedness.

The provisions of the Trust Agreement relating to defeasance may be modified with respect to Bonds of any series that constitute Variable Rate Indebtedness and/or Optional Tender Indebtedness, with respect to any Parity Indebtedness. (Section 1301)

SURCHARGE IMPLEMENTATION AGREEMENT

Operation and Maintenance of Parking Facilities

WMATA shall operate and maintain all parking facilities on WMATA property in the County. “[F]acilities” includes parking structures and surface lots. The fees for all Park and Ride spaces in the County consist of a base amount (the “base fee”) and a surcharge amount (the “surcharge”). WMATA shall own and retain control of all parking revenues. An amount equivalent to the base fee shall merge with all other rail revenues collected by WMATA. Amounts equivalent to surcharge revenues collected from all spaces in the County shall be retained in a Surcharge Reserve Account established for the County. (Sections 1 and 2)

County Reserve Account

The Surcharge Reserve Account established under the Surcharge Implementation Agreement is a reserve for the County established and held by WMATA in trust for the purposes provided in the Surcharge Implementation Agreement, which reserve represents the accumulated balance of the amounts equivalent to surcharge revenues plus all earned interest, surplus net

proceeds from an insurance or a condemnation award not otherwise payable to the County or the County and other amounts paid by the County which are specifically designated for the Surcharge Reserve Account, less any permitted reductions including charged interest. (Section 4)

Application of Amounts in the County Reserve Account

Amounts in the Surcharge Reserve Account shall be applied first, and to the exclusion of all other purposes, to the payment of all amounts payable by WMATA to the County pursuant to the terms of Facility Leases and then in order to the payment of (1) costs of insurance WMATA procures; (2) amounts payable to reimburse WMATA for costs incurred when the proceeds of insurance award are insufficient to cover loss or damages to the premises subject to facility leases ("Leased Premises"), where said loss or damage does not result from intentional or grossly negligent acts of WMATA, or its officers, employees, agents, contractors or invitees; (3) amounts payable to reimburse WMATA for expenses it incurs when net proceeds of a condemnation award are insufficient to complete the repair, reconstruction and restoration of the Leased Premises; (4) amounts, together with interest thereon, for the payment or reimbursement of payment of principal and interest on any construction loans, borrowings or financings as to which WMATA is the primary obligor, for reimbursement of advances or borrowings from any general or special fund maintained by WMATA, in each case incurred or made for the planning, design or construction of any parking in the County; (5) amounts payable to reimburse the County for any amounts which the County shall pay for the purpose of making up any deficiency in the debt service reserve or other funds for the payment of debt service on bonds issued to finance parking structures under the Surcharge Implementation Agreement and to reimburse the County for increased jurisdictional payments pursuant to the Surcharge Implementation Agreement; (6) amounts payable to reimburse WMATA or the County for amounts advanced from their general funds in the event that a deficit exists in the Surcharge Reserve Account, including interest on funds so advanced, in the order in which such advances were made; (7) any other amounts expended by the parties in connection with the planning, design or construction of such parking; (8) amounts necessary to defease outstanding bonds as described in the Surcharge Implementation Agreement; and (9) any other costs or expenses incurred in connection with the parking. The application of amounts in the Surcharge Reserve Account to the purposes described in clauses (4), (7), (8) and (9) require the further written assent of both WMATA and the County. To the extent that an accumulated balance surplus exists in the Surcharge Reserve Account or upon termination of the agreements relating to the projects funded under the Surcharge Implementation Agreement, WMATA, upon recommendation of the County, may elect to (a) pay or prepay any additional costs or expenses which may be incurred pursuant to Facility Leases; (b) reimburse the County for amounts designated for the Surcharge Reserve Account that it advances to WMATA to prevent or cure a deficit in the Surcharge Reserve Account; or (c) decrease the surcharge or reduce it to \$0. (Section 3)

Obligations of the County

The County shall not be liable for any amounts payable to WMATA unless and until such funds have been appropriated for payment and then only to the extent thereof. (Section 12)

Termination

The Surcharge Implementation Agreement may be terminated (a) with the mutual consent of both WMATA and the County, (b) by WMATA on 10 days' notice to the County upon the failure of the Montgomery County Council to appropriate by the end of the fiscal year when due funds from which payments the County is obligated to make under the Surcharge Implementation Agreement may be made, or (c) by either WMATA or the County upon 30 days' notice to the other party when the costs incurred for WMATA-approved Metrorail parking facilities in the County, including payments by the County for advances, have been fully recovered. (Section 13)

GROUND LEASE AGREEMENTS

Term of Ground Leases and Termination

The terms of each Ground Lease have commenced. The term of the Grosvenor Ground Lease expires on December 31, 2030; the term of the Shady Grove Ground Lease expires on December 31, 2029. Upon termination of the Ground Lease, the County shall surrender the property to WMATA, and WMATA, in accepting, waives any right to recover from the County for any unrepaired damage. (Sections 2 and 9)

Rent

Payment of rent under each Ground Lease has been made in a lump sum. (Section 3)

Use of Land

The Leased Premises may be used and occupied solely for parking and related purposes. (Section 4)

Nonassignability and Subleases

The Ground Lease shall not be assigned by either the County or WMATA without the prior written approval of the non-assigning party. The County shall not sublease the property without the written consent of WMATA. (Sections 6 and 7)

PROJECT AGREEMENTS

Term

The terms of each Project Agreement have commenced. The term of the Grosvenor Project Agreement expires on December 31, 2030; the term of the Shady Grove Project Agreement expires on December 31, 2029. The term of each Project Agreement expires: (a) upon termination of the respective Facility Lease on the last day of the term thereof, or early termination as described in the respective Facility Lease, and the County surrenders to WMATA the respective Project and Project Site and all improvements thereon; or (b) if the date of

occupancy of the respective Project shall not have occurred within three years after the date of commencement of the County's right of entry or within four years after the effective date of the respective Project Agreement; provided, however, that if certain *force majeure* events shall have occurred subsequent to the date on which the County's right of entry commences but prior to the date of occupancy, then these periods shall be extended by the duration of such events. (Article II)

Design, Construction and Financing

The County shall design and construct each Project, subject to certain WMATA approvals. (Article III)

Operation

WMATA will operate each Project as a parking facility for Metrorail patrons. (Article IV)

FACILITY LEASE AGREEMENTS

Term

The term of each Facility Lease commences on the earlier of the date on which final completion of the respective Project shall occur or the date the respective Project, or any portion thereof, is opened by WMATA for business. The term of the Grosvenor Facility Agreement terminates on December 31, 2030; the term of the Shady Grove Facility Agreement terminates on December 31, 2029. (Article 2)

Rent

WMATA shall pay to the County Basic Rent for each Project pursuant to the Facility Leases which shall be due five business days prior to the respective due dates set forth therein, the first such payment to be due five business days prior to the due date following the Basic Rent Effective Date. WMATA's obligation to pay Basic Rent shall be suspended during any "Basic Rent Abatement Event." A "Basic Rent Abatement Event" means any act, circumstance or event that shall render more than half of the parking spaces in the respective Project unavailable to WMATA or unusable for their intended purpose for a period in excess of 30 consecutive days and that shall result from (a) an act of God (but not including reasonably anticipated weather conditions for the geographic area of the Leased Premises), landslide, lightning, earthquake, fire, explosion, flood, sabotage or similar occurrence; acts of a public enemy, extortion, war, blockage or insurrection, war blockade or insurrection, riot or civil disturbance; (b) a restraint of law; (c) the failure of any utility to provide and maintain utilities, services, water and sewer lines and power transmission lines to the Project Site which are required for the operation of the Project; or (d) a latent defect in the design or construction of the Project.

WMATA may prepay the Basic Rent on any due date on at least 45 days' written notice to the County, accompanied by a specific direction to the County to apply such prepayment to the redemption or defeasance of the Bonds.

The County shall apply the moneys to the credit of any debt service reserve fund to the prepayment, defeasance, or payment of Bonds on the earliest date on which the sum of such moneys, together with all other moneys available for this purpose, shall be sufficient to redeem or pay all of the outstanding Bonds and any other bonds secured by such debt service reserve fund.

WMATA shall also pay to the County as Additional Rent for the Projects all other amounts (other than Basic Rent) payable by WMATA to the County under the Facility Leases. (Article 3)

WMATA's Obligation to Maintain and Repair Leased Premises

WMATA, at its sole cost and expense throughout the term of each Facility Lease, shall keep and maintain the respective Leased Premises in good and safe order and condition in accordance with industry standards and shall use all reasonable precaution to prevent waste, damage, or injury to the Leased Premises.

Except as otherwise set forth in the Facility Lease, WMATA shall be obligated to repair any damage or destruction to the Leased Premises and restore them to substantially the same condition or utility value as existed prior to the casualty. Net proceeds of any insurance relating to such damage shall be paid directly to WMATA and WMATA shall apply such net proceeds received solely to complete the repair or reconstruction of the Leased Premises. To the extent that such net proceeds of insurance are insufficient to pay the costs of repair or reconstruction, the County shall use its best efforts to issue additional Bonds in the amount of such insufficiency, and WMATA agrees to pay additional Basic Rent if such additional Bonds are issued. If the County shall not be able to issue additional Bonds, or the proceeds of such additional Bonds are insufficient for the purpose, WMATA shall be obligated to pay the difference between the amount necessary to effect the repair and the amount of the insurance proceeds but solely from funds in the Surcharge Reserve Account which under the Surcharge Implementation Agreement are available for rental payments under facility leases.

In the event that any portion of the Leased Premises is destroyed by fire or other casualty and the damage is estimated by WMATA to exceed 25% of the total cost of the Parking Structure, or that WMATA estimates the difference between the cost of restoration and the Net Proceeds of insurance to exceed \$100,000, WMATA may, within 90 days after such damage or destruction, with the prior written occurrence of the County, elect, by written notice to the County, not to repair the Leased Premises, provided that WMATA states in its notice that such net proceeds of insurance shall be paid to the County to be applied to defease the lien of the instrument securing the Bonds.

Upon completion of repair, reconstruction and restoration pursuant to a Facility Lease, surplus net proceeds of insurance shall be paid by WMATA to the County and shall be applied

as a credit to Basic Rent. In the event that the Bonds are defeased with insurance proceeds, any remaining net proceeds shall be paid to or retained by WMATA.

In the event that any portion of the Leased Premises is condemned or taken for any public use, WMATA shall determine in writing whether the Leased Premises can be repaired, reconstructed or restored to such an extent that the utility of the Parking Structure can be largely maintained. If WMATA determines that the utility of the respective Project can be largely maintained, restored or replaced, it shall restore the Leased Premises with the net proceeds resulting from such taking as nearly as practicable to the same condition or utility value as existed prior to the taking. To the extent that the net proceeds of condemnation are insufficient to pay the costs of repair, reconstruction or restoration, the County shall use its best efforts to issue additional Bonds in the amount of such insufficiency, and WMATA agrees to pay additional Basic Rent if such additional Bonds are issued. If the County shall not be able to issue additional Bonds, or the proceeds of any such additional Bonds are insufficient for the purpose, WMATA shall be obligated to pay the difference between the amount necessary to effect the repair, reconstruction or restoration and the amount of the proceeds of the condemnation available, but solely from funds in the Surcharge Reserve Account which under the Surcharge Implementation Agreement are available for rental payments under facility leases. If WMATA shall determine that the utility of such Project cannot be maintained, the net proceeds received as a result of such taking shall be used to defease the Bonds. (Article 4)

Insurance

WMATA shall procure and pay the requisite premiums for the insurance described in each Facility Lease, and the insurance policies shall name the County and its designee as additional named insureds. (Article 5)

Equipment

WMATA shall keep all equipment for the Projects in good repair, and shall not have the authority to remove any equipment from the Leased Premises except for repairs, cleaning or other servicing. All such equipment shall be fully paid for by WMATA in cash. (Article 6)

Liens

Except for the permitted encumbrances enumerated in the Facility Leases, WMATA shall not create or cause to be created any lien or encumbrance upon the Facility Leases, the leasehold estates created thereby, or the Leased Premises, and WMATA shall not allow the County's interest in the Leased Premises to be impaired. (Article 7)

Uses and Management of Premises

WMATA shall not use or permit the Leased Premises to be used for any unlawful purpose or in such a manner as to constitute a nuisance of any kind, public or private.

WMATA may select parking structure operators and enter into management agreements, subject to a covenant to maintain the tax-exempt status of the Bonds. (Article 12)

Event of Default

The following shall constitute Events of Default under the Facility Leases upon the occurrence of certain conditions set forth therein: If WMATA shall fail to pay any installment of Basic Rent, provided however, that if such failure to pay rent is due to the event that funds in the Surcharge Reserve Account are insufficient, such failure shall not constitute a default by WMATA; or if WMATA shall fail to maintain the insurance required by the Facility Lease, or fail to pay Additional Rent or any other payment under the Facility Lease for a period of 45 days, provided, however that if such failure to maintain such insurance or to pay such rent or other payment is due to the event that funds in the Surcharge Reserve Account are insufficient, such failure shall not constitute a default by WMATA; or if WMATA shall fail to observe or perform one or more of the material terms, conditions, covenants or agreements of the Facility Lease for over 30 days; or if WMATA shall admit, in writing, that it is unable to pay its debts; or if WMATA shall file a voluntary petition in bankruptcy or be adjudicated a bankrupt or insolvent; or if a bankruptcy or dissolution proceeding brought against WMATA is not dismissed, or the appointment of a trustee shall not have been vacated or stayed within ninety days; or if within thirty days after the expiration of any such stay, such appointment shall not have been vacated.

Section 13.01

Remedies

If an Event of Default shall have occurred and is continuing, the County may bring a suit for specific performance, the recovery of damages, or for a sum equal to any installment of Rental payable under the Facility Lease.

Section 13.02

Surrender at End of Term -- Condition of Leased Premises

On the last day of the Term or upon any earlier termination of the Facility Lease, WMATA shall surrender to the County the Leased Premises, at no cost to the County, in good condition and free of any impermissible liens and encumbrances. the County waives any right to recover from WMATA any monetary compensation for unrepaired damages.

Section 15.01

Early Termination

In the event that (i) WMATA shall prepay Basic Rent, or Basic Rent shall have been reduced, or WMATA shall have made payments to repair damage and (ii) the amount of such prepayment of Basic Rent or repair payments, together with all moneys held for the payment of or as security for the Bonds be equal to the amount necessary to defease the Bonds, then the term

and estate created by the Facility Lease shall terminate, and WMATA shall surrender the Leased Premises to the County.

In the event WMATA shall terminate the Ground Lease, the term and estate created by the Facility Lease shall automatically terminate, and the Facility Lease shall terminate whether or not there are Bonds outstanding.

Section 15.02

WMATA's Rental Obligations Payable Solely from Funds in Surcharge Reserve Account

The obligation of WMATA to pay the Basic Rent and Additional Rent payable in any fiscal year of WMATA is payable solely from funds in the Surcharge Reserve Account which under the Surcharge Implementation Agreement are available for rental payments under facility leases and shall not be otherwise conditioned on appropriation or the availability of funds.

Section 16.05

Non-Merger of Lease

There shall be no merger of the Facility Lease with the fee estate in the Leased Premises or with the leasehold estate created by the Ground Lease by reason of the same person acquiring any interest in them.

Section 16.06

Assignment of Lease Rights

WMATA recognizes that the County intends to fulfill its obligation under the Project Agreement to fund the construction of the Project by the issuance of Bonds under the Enabling Act, and WMATA agrees to consent to the County's assignment of its rights under the Facility Lease to the Trustee for the benefit of holders of such Bonds.

Section 16.08

WMATA Obligation Not to Pay Bonds

Nothing contained in the Facility Lease obligates or deems to obligate WMATA to pay the principal of and premium, if any, and interest on the Bonds.

Section 16.16

WMATA Contribution to Project Cost

WMATA agrees to pay to the County the respective amounts under the Facility Lease Agreement as Contributions to Project Cost. WMATA agrees that the County may assign its

rights to receive Contributions to Project Cost to the Trustee for the Bonds, and it further agrees to make all payments of Contribution to Project Cost so assigned directly to the Trustee for the account of the County.

Section 16.17

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of June __, 2002 (the "Disclosure Agreement") is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the "County") in connection with the issuance of its \$37,880,000 Montgomery County, Maryland Lease Revenue Bonds (Metrorail Garage Projects), Series 2002 (the "Bonds"). The County, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners of the Bonds, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. *Definitions.* In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, Virginia 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORY

Attn: Municipal Dept.
100 Business Park Drive
Skillman, NJ 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
E-mail: Munis@Bloomberg.com

DPC DATA, INC.

One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-mail: nrmsir@dpdata.com

FT INTERACTIVE DATA

Attn: NRMSIR
100 William Street
New York, NY 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax)
E-mail: NRMSIR@FTID.com

**STANDARD & POOR'S J.J. KENNY
REPOSITORY**

55 Water Street
45th Floor
New York, NY 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
E-mail: nrmsir_repository@sandp.com

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Reportable Event” shall mean any of the events listed in Section 4a. of this Disclosure Agreement.

“Repository” shall mean each National Repository and the State Depository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission including, by way of example, the staff guidance dated June 23, 1995 to the National Association of Bond Lawyers (“NABL”) from Robert L. D. Colby, Deputy Director, and the staff guidance dated September 19, 1995, to NABL from Catherine McGuire, Chief Counsel.

“State Depository” shall mean any public or private repository or entity designated by the State of Maryland as a state information depository for purposes of the Rule. As of the date of this Disclosure Agreement, there is no State Depository.

SECTION 3. *Provision of Annual Financial Information, Operating Data and Audited Information.*

a. The County shall provide to each Repository, the following annual financial information and operating data, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ending June 30, 2002:

(i) Statement of Direct and Overlapping Debt; (ii) General Bonded Debt Ratios; (iii) Assessed Value of All Taxable Property By Class; (iv) Property Tax Levies and Collections; (v) Property Tax Rates and Tax Levies, By Purpose, (vi) Schedule of General Fund Revenues, Expenditures and Transfers In (Out), and (vii) Parking Surcharge Account Summary.

b. The County shall provide to each Repository annual audited financial statements for the County, such information to be made available within 275 days after the end of the County’s fiscal year, commencing with the fiscal year ending June 30, 2002, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County’s fiscal year (commencing with the fiscal year ending June 30, 2002), the County will provide unaudited financial statements within such time period.

c. The presentation of the financial information referred to in paragraph a. and in paragraph b. shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

d. If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in a. and b. above, the County shall send in a timely manner a notice of such failure to each National Repository or to the MSRB and to the State Depository.

e. The County hereby represents and warrants that it has not failed to comply with any prior disclosure undertaking made pursuant to the Rule.

SECTION 4. *Reporting of Significant Events.*

a. This Section 4 shall govern the giving of notices of the occurrence of any of the following Reportable Events with respect to the Bonds, each of which shall constitute a Reportable Event for purposes hereof:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of owners of the Bonds;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds; or
- (11) Rating changes.

b. Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall as soon as possible determine if such event would constitute material information for owners of Bonds, in accordance with the applicable “materiality” standard under then-current securities laws.

c. If the County has determined that a Reportable Event is material, the County shall file in a timely manner a notice of such occurrence with the National Repositories or the MSRB and the State Depository.

SECTION 5. *Termination of Reporting Obligations.* The County’s obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 6. *Amendments.*

a. The County may provide further or additional assurances that will become part of the County’s obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion, provided that:

- (1) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the County as the obligated person with respect to the Bonds, or type of business conducted by the County;

(2) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment does not materially impair the interests of owners of the Bonds, including beneficial owners, as determined by bond counsel selected by the County or by an approving vote of at least 25% of the outstanding principal amount of the Bonds.

b. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of financial information or operating data being provided will be explained in narrative form in information provided with the annual financial information containing the additional or amended financial information or operating data.

SECTION 7. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event.

SECTION 8. *Limitation on Remedies and Forum.*

a. The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to Director of Finance, 15th Floor, Executive Office Building, 101 Monroe Street, Rockville, Maryland 20850, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 3a. or 3b. hereof or a notice of occurrence of a Reportable Event.

b. Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Montgomery County, Maryland.

SECTION 9. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Bonds, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 10. *Relationship to Bonds.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at

any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 12. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 13. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 14. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

MONTGOMERY COUNTY, MARYLAND

By: _____
Director of Finance

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FORM OF BOND COUNSEL OPINION

[closing date]

County Executive and County Council for
Montgomery County, Maryland
Rockville, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to Montgomery County, Maryland (the “County”) in connection with the issuance of its \$37,880,000 Montgomery County, Maryland Lease Revenue Bonds (Metrorail Garage Projects), Series 2002 (the “Bonds”). In such capacity, we have examined such laws and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued under the provisions of the Montgomery County Charter (the “Charter”), Chapter 20 of the Montgomery County Code 1994, as amended (the “Act”), resolutions adopted by the County Council for Montgomery County, Maryland (the “Resolutions”), and a Trust Agreement dated as of June 1, 2002 (the “Trust Agreement”), by and between the County and Wachovia Bank, National Association (the “Trustee”). The Bonds are authorized to be issued and awarded by Bond Order No. B237-02 of the County Executive of the County passed on June 4, 2002 and Bond Order No. B238-02 of the County Executive of the County passed on June 5, 2002, (collectively, the “Orders”). The terms of the Bonds are as set forth in the Bonds and the Trust Agreement.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the County and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Based on the foregoing, it is our opinion that, under existing law:

(a) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, the Charter, the Act, the Resolutions, the Orders and the Trust Agreement.

(b) The Resolutions have been duly and properly adopted by the County Council of the County, and are valid and binding on the County. The Orders have been duly and properly passed by the County Executive of the County, and are valid and binding on the County.

(c) The Trust Agreement has been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes the valid and binding obligation of the County. The Trust Agreement creates the valid pledge of and lien on the Pledged Revenues (as defined in the Trust Agreement) that it purports to create, subject only to the provisions thereof permitting the withdrawal, payment, setting apart or appropriation thereof for or to the purposes and on the terms and conditions set forth therein.

(d) The Bonds are valid and legally binding special obligations of the County payable solely from (i) the Pledged Revenues and other moneys provided to the Trustee under the Trust Agreement and (ii) any other moneys held by the Trustee under the Trust Agreement for such purpose. The Trust Agreement contains provisions permitting the issuance of certain additional County bonds on an equal basis with the Bonds (the "Additional Bonds"). The Pledged Revenues are pledged under and as set forth in the Trust Agreement for the equal and ratable benefit of the holders from time to time of the Bonds and, to the extent provided in the Trust Agreement, any Additional Bonds. The Bonds and any Additional Bonds issued within the limitations and provisions of the Trust Agreement are entitled to the benefit and security of the Trust Agreement as provided therein.

(e) The Bonds do not constitute a general obligation or a pledge of the faith and credit of the County. The County is not obligated to pay the Bonds or the interest thereon except from (i) the Pledged Revenues and other moneys provided to the Trustee under the Trust Agreement and (ii) any other moneys held by the Trustee under the Trust Agreement for such purpose.

(f) Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph (f), we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the County (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

(g) Under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Bonds or the interest thereon.

Other than as set forth in the preceding paragraphs (f) and (g), we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Venable, Baetjer and Howard, LLP"]

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